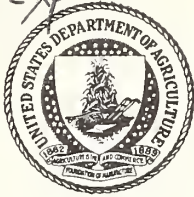


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VOL. 2

1976 BUDGET EXPLANATORY NOTES

U.S. DEPT. OF AGRICULTURE
AUG 1976

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Funds for Strengthening Markets,
Income, and Supply (Section 32)
Packers and Stockyards Administration
Farmers Cooperative Service

Foreign Agricultural Service
Office of the Sales Manager
Public Law 480
Agricultural Stabilization and
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Federal Crop Insurance Corporation
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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953, and other authorities. The Service carries out its programs under the following legislation: Agricultural Adjustment Act of 1938, Agricultural Marketing Act of 1946, Agricultural Marketing Agreement Act of 1937, Agricultural Fair Practices Act, Cotton Futures Provisions of the Internal Revenue Code of 1954, Cotton Research and Promotion Act, Cotton Statistics and Estimates Act, Egg Products Inspection Act, Egg Research and Consumer Information Act, Export Apple and Pear Act, Export Grape and Plum Act, Federal Seed Act, Naval Stores Act, Perishable Agricultural Commodities Act, Plant Variety Protection Act, Produce Agency Act, Tobacco Inspection Act, Tobacco Plant and Seed Exportation Act, Tobacco Statistics Act, U. S. Cotton Standards Act, U. S. Grain Standards Act, U. S. Warehouse Act, and Wool Standards Act. Through its marketing and regulatory programs, the Service aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms. Surplus agricultural commodities are purchased under Section 32 of the Act of August 24, 1935, for distribution to schools, families, and institutions, and for emergency relief use.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Services. These activities are directed toward assisting in the further development of an orderly marketing system for agricultural commodities and include:
 - a. Market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products; and to provide timely commodity price information for use of other decision makers in agricultural marketing;
 - b. Inspection, grading, classing, and standardization services to (1) develop standards of quality and condition for agricultural commodities and to use them in providing the language of commerce for these commodities through the inspection, grading and standardization programs -- language which permits trade and commerce among buyers and sellers who need never see each other, but who, because they have been provided a common language which accurately describes the commodities of their transactions are able to buy or sell with complete understanding and assurance of what is being traded; and (2) participate and assist in the development of international food standards; and
 - c. Regulatory activities covering the administration of laws intended to prevent financial loss resulting from deceptive, careless, and fraudulent marketing practices and to provide assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.

2. Funds for Strengthening Markets, Income, and Supply (Section 32). Activities carried out by the Service directly or indirectly contribute to stabilizing prices received by farmers and establishing and maintaining orderly marketing conditions through:

- a. Commodity procurement programs in support of public feeding (needy family and elderly) and child nutrition, and using Section 32 funds to assist in the marketing and use of mostly perishable agricultural commodities in need of marketing assistance because of supply in excess of market demands at fair prices.
- b. Under authority of 7 USC 1392b, Section 32 funds are used for supervising marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs. Marketing orders establish orderly marketing conditions. In the case of dairy orders this is done by fixing minimum prices which handlers pay to producers. For fruit and vegetable, grain and tobacco orders orderly marketing is maintained by regulating the quality, quantity or size of products which handlers may market in commercial channels.

3. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State, and private agencies, on a reimbursable basis.

In the Agricultural Marketing Service, including the offices of the Milk Market Administrators, approximately 82% of the full-time employees and most of the part-time and intermittent employees are assigned to one of the more than 500 field offices located in 46 States, Puerto Rico, and Canada. About 68% of this total employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangement with other Federal agencies, States, and private cooperators.

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		Available 1975		1976	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Agricultural Marketing Service:</u>						
Marketing Services	\$37,063,850	1,776	\$40,755,000	1,849	\$42,275,000	1,865
Payments to States and Possessions	1,600,000	--	1,600,000	--	--	--
Total	38,663,850	1,776	42,355,000	1,849	42,275,000	1,865
<u>Obligations under other USDA appropriations:</u>						
Agricultural Stabilization and Conservation Service-for operation of commodity teletype, data on wheat exports by classes, and miscellaneous services. ..	42,500	2	45,000	3	46,000	3
Agricultural Research Service-for cotton and cordage fiber and spinning tests	20,732	2	23,000	2	23,000	2
Commodity Credit Corporation:						
For classing cotton and tobacco grading. .	--	--	1,852,000	113	1,870,000	113
For classing CCC-owned cotton	--	--	10,000	1	10,000	1
For warehouse examination functions ..	3,020,764	140	3,533,000	149	3,568,000	149
Food and Nutrition Service-for commodity procurement, information, and miscellaneous services	261,276	12	231,000	10	231,000	10
Statistical Reporting Service-for beef, steer, and heifer data:	45,162	5	50,000	5	51,000	5
Miscellaneous reimbursements	291,446	5	433,000	8	434,000	8
Total, Other USDA Appropriations	3,681,880	166	6,177,000	291	6,233,000	291
Total, Agricultural Appropriations ...	42,345,730	1,942	48,532,000	2,140	48,508,000	2,156

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1974		Available 1975		1976	
	Amount	:Man- :Years	Amount	:Man- :Years	Amount	:Man- :Years
<u>Permanent appropriations:</u>						
Funds for Strengthening:						
Markets, Income, and						
Supply (Section 32) ...	931,485,638	469	1,019,207,831	475	1,121,000,000	385
Carryin	262,988,117	--	191,004,579	--	53,569,884	--
Recovery of prior year :						
obligations	710,687	--	--	--	--	--
Unobligated balance :						
transferred from :						
other accounts	12,954	--	--	--	--	--
Deduct Carryout	191,004,579	--	53,569,884	--	149,999,884	--
Deduct Transfers	225,035,562	--	730,793,526	--	762,228,000 ^{1/}	--
Deduct Allotment to FNS:	500,804,459	239	222,834,000	229	76,189,000 ^{1/}	139
Net, AMS	278,352,796	230	203,015,000	246	186,153,000	246
Perishable Agricultural:						
Commodities Act Fund ..	1,306,643	86	1,622,000	86	1,639,000	86
Total, Permanent						
Appropriations ...	279,659,439	316	204,637,000	332	187,792,000	332
Other Federal Funds	76,835	2	56,000	1	57,000	1
Non-Federal Funds	43,748,950	2,263	44,587,000	2,068	45,507,000	2,098
Milk Market Orders						
Assessment Fund	19,856,066	838	21,540,000	838	23,049,000	838
Total, Agricultural						
Marketing Service	385,687,020	5,361	319,352,000	5,379	304,913,000	5,425

	1974 Actual	1975 Estimated	1976 Estimated
End of Year Employment:			
Permanent full-time	4,576	4,600	4,646
Other	549	550	550
Total	5,125	5,150	5,196

^{1/} Reflects existing legislation. Legislation has been proposed to substitute a comprehensive block grant program in lieu of the existing Child Nutrition Program conducted by FNS. The proposal provides that the block grants be financed by direct appropriation augmented by transfer of Section 32 funds (to the extent that Section 32 funds are not needed for surplus removal purposes). The effect of this procedure would be to eliminate the Section 32 allotment amount and increase the transfer amount.

(a) Marketing Services

Appropriation Act, 1975	\$39,526,000
Budget Estimate, 1976	<u>42,275,000</u>
Increase in Appropriation	<u>+2,749,000</u>

Adjustments in 1975:

Appropriation Act, 1975	\$39,526,000	
1975 Supplemental Appropriation for pay costs	<u>+1,229,000</u>	
Adjusted base for 1976		40,755,000
Budget estimate, 1976		<u>42,275,000</u>
Increase over adjusted 1975		<u>+1,520,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1975</u> <u>Estimate</u>	<u>Increase or</u> <u>Decrease</u>	<u>1976</u> <u>Estimate</u>
Market News Service	\$9,863,000	+\$267,000	\$10,130,000
Inspection, Grading, Classing, and Standardization	23,688,000	--	23,688,000
Regulatory Activities	3,286,000	+384,000	3,670,000
GSA space rental costs	2,274,000	+427,000	2,701,000
Annualization of 1975 items of increase	415,000	+139,000	554,000
Annualization of the pay cost increase effective in FY 1975	<u>1,229,000</u>	<u>+303,000</u>	<u>1,532,000</u>
Total available	<u>40,755,000</u>	<u>+1,520,000</u>	<u>42,275,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
1. <u>Market News Service:</u>				
a. Cotton and cottonseed	\$880,036:	\$1,019,000:	+\$15,000:	\$1,034,000
b. Dairy and poultry products ..	1,534,692:	1,817,000:	+38,000:	1,855,000
c. Fruits and vegetables	2,603,638:	3,261,000:	+204,000:	3,465,000
d. Grain, hay, feed, etc.	730,164:	798,000:	+63,000:	861,000
e. Leased wire service	647,752:	722,000:	+3,000:	725,000
f. Livestock, meats, and wool ..	2,514,086:	2,767,000:	+120,000:	2,887,000
g. Naval stores	34,219:	44,000:	+1,000:	45,000
h. Tobacco	371,655:	443,000:	+28,000:	471,000
Total, Market News Service:	9,316,242:	10,871,000:	+472,000:	11,343,000
2. <u>Inspection, Grading, Classing: and Standardization:</u>			(1):	
a. Cotton and cottonseed	8,085,035:	9,246,000:	+453,000:	9,699,000
b. Dairy products	153,424:	125,000:	+2,000:	127,000
c. Egg & egg products inspec. ..	4,963,706:	6,199,000:	+25,000:	6,224,000
d. Fruits and vegetables	1,153,288:	1,261,000:	+13,000:	1,274,000
e. Grain (U.S. Grain Stds. Act) :	2,803,343:	3,375,000:	+21,000:	3,396,000
f. Livestock, meats, and wool ..	363,331:	392,000:	+6,000:	398,000
g. Naval stores	38,773:	54,000:	--	54,000
h. Poultry products grading ...:	321,867:	378,000:	+5,000:	383,000
i. Rice, hay, beans, etc.:	94,490:	92,000:	+2,000:	94,000
j. Tobacco	5,064,643:	5,061,000:	+36,000:	5,097,000
Total, IGC&S	23,041,900:	26,183,000:	+563,000:	26,746,000

(2)

(Continued on next page)

Project	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
3. <u>Regulatory Activities:</u>				
a. Research and promotion	67,393:	68,000:	+152,000:	220,000
b. Export Fruit Acts	22,200:	21,000:	--	21,000
c. Federal Seed Act	582,115:	793,000:	+69,000:	862,000
d. Naval stores and tobacco				
export permits	11,793:	16,000:	--	16,000
e. Plant Variety Protection Act:	240,268:	328,000:	+18,000:	346,000
f. Transportation services	356,815:	422,000:	+7,000:	429,000
g. U.S. Warehouse Act	1,814,998:	2,053,000:	+239,000:	2,292,000
Total, Regulatory			(3):	
Activities	3,095,582:	3,701,000:	+485,000:	4,186,000
4. <u>Administration and Coordina-</u>				
<u>tion of State Payments</u>	112,014:	--	--	--
Unobligated balance	1,498,112:	--	--	--
Total available or estimate	37,063,850:	40,755,000:	+1,520,000:	42,275,000
Proposed Supplemental for pay				
increase costs	--	-1,229,000:		
Transfer to GSA	+23,150:	--		
Total, Appropriation	37,087,000:	39,526,000:		

EXPLANATION OF PROGRAM

1. Market News Service

The market news program is carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Cotton Statistics and Estimates Act of 1927, (3) Tobacco Statistics Act of 1929, (4) Tobacco Inspection Act of 1946, (5) Naval Stores Act of 1923, and (6) Turpentine and Rosin Statistics Act.

The market news service provides local, regional and national marketing information. The information is current and covers supply, movement, contractual agreements and prices at specific markets for practically all agricultural commodities. The marketing of agricultural products is characterized by a series of decision points through which product flow concentrates and transactions take place. Market news provides those engaged in production and marketing of farm product at these decision points, as well as those supplying the farm market, with timely, accurate, and unbiased information pertinent to market conditions. Thus, on a day-to-day basis, those in the market are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and immediately disseminated to the agricultural community through mailed reports, newspapers, television, and leased wire. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by all the news media as well as by mimeographed reports, telephone, tape recorder, and telegraph.

2. Inspection, Grading, Classing, and Standardization

This program is carried out under the following authorities:

- Agricultural Marketing Act of 1946
- Cotton Statistics and Estimates Act
- Cotton Futures Provisions of Internal Revenue Code
- Cotton Standards Act
- Egg Products Inspection Act
- Import and Export Inspection Overtime Act
- Naval Stores Act
- Tobacco Inspection Act
- U.S. Grain Standards Act
- Wool Standards Act

The number of differing authorities enacted above are intended for use in helping meet specific marketing problems, including establishment of product standards, provision of inspection and grading services, and other programs.

The standardization program provides for identification of various agricultural products by specific size, color, appearance, weight, and other characteristics. When a commodity exhibits specific characteristics described by a standard, the commodity is given a grade.

The process of grading determines whether a commodity comes within a standard. Segregation by standard or characteristic permits buyers and sellers to be assured that their requirements will be met regardless of time or place of transaction and without personal inspection. Thus, standardization provides the language for the conduct of commerce in agricultural commodities and grading is the application of the standards.

3. Regulatory Activities

In the administration of regulatory activities Agricultural Marketing Service operates under the following authorities:

- U.S. Warehouse Act
- Naval Stores Act
- Agricultural Adjustment Act
- Export Apple and Pear Act
- Federal Seed Act
- Tobacco Seed and Exportation Act
- Export Grape and Plum Act
- Cotton Research and Promotion Act
- Agricultural Fair Practices Act
- Plant Variety Protection Act
- Wheat Research and Promotion Act
- Egg Research and Consumer Information Act

Under the above authorities, AMS regulatory programs include: Warehouse inspection to assure proper storage of goods and to assure the integrity of warehouse receipts which certify the quantity and quality of goods on hand. The issuance and use of these receipts enables farmers to obtain loans for their goods in storage, and facilitates trading in the commodities. The Plant Variety Protection Program which offers legal protection to developers of new varieties of plants which reproduce by seed, by providing the equivalent of a patent to the plant's developer. The Federal Seed Program which prevents mislabeled seed moving in interstate commerce by providing for random sampling of seeds to insure accurate labeling of seed characteristics. The Export Fruit Program which regulates the export of American fruit by inspection so as to prevent deception or misrepresentation as to the quality of such fruit by providing for inspection of them. The Cotton Research and Promotion Program which provides for the collection of a \$1 per bale assessment for

cotton research and promotion activities. The Naval Stores Program which protects users against misleading labeling of turpentine and related products moving in interstate commerce, and the Tobacco Export Program which prohibits the exportation of domestic seed and live tobacco plants from the U.S. except for experimental purposes.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$472,000 for the market news service consisting of:

- (a) An increase of \$31,000 for GSA space rental costs pursuant to P.L. 92-313. The FY 1976 Budget Estimate for space is based upon a GSA billing which reflects a revised rate structure for 1976 and includes full funding for rental payments in the Budget year.

Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request.

- (b) An increase of \$97,000 for annualization of pay cost increases effective in FY 1975.

- (c) An increase of \$77,000 to annualize 1975 appropriation increases for the market news service. The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved the request for the market news service, but reduced the 1975 funding by one-fourth. In FY 1976 this program will require full-year funding; therefore, we are requesting this increase to annualize the level approved in 1975.

- (d) An increase of \$267,000 to cover postage rate increases (FY 1975 base, \$1,200,000). An increase of \$267,000 is needed to cover the increased costs of mailing of market news reports. This increase resulted from the March 2, 1974 Postal Service rate increase of approximately twenty-five percent of previous postal costs and sharply increases AMS postage costs.

Mailed reports are the primary vehicle for dissemination of market news information. Though the number of mailings has been scaled down in recent years to the minimum needed, approximately 15,000,000 reports must be mailed each year. These reports provide current, unbiased, and timely market news to members of the agricultural industry who rely on this information to make critical decisions on where and when to buy and sell and at what prices. Without additional postage funds, market news will not be able to continue to provide adequate information and its effectiveness will be reduced.

(2) An increase of \$563,000 for inspection, grading, classing and standardization consisting of:

- (a) An increase of \$396,000 for GSA space rental costs pursuant to P.L. 92-313. The FY 1976 Budget Estimate for space is based upon a GSA billing which reflects a revised rate structure for 1976 and includes full funding for rental payments in the Budget year.

Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request.

- (b) An increase of \$167,000 for annualization of pay cost increases effective in FY 1975.
- (3) An increase of \$485,000 for regulatory activities consisting of:
 - (a) An increase of \$39,000 for annualization of pay cost increases effective in FY 1975.
 - (b) An increase of \$62,000 to annualize 1975 appropriation increases for regulatory activities. The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved the request for regulatory activities, but reduced the 1975 funding by one-fourth. In FY 1976 this program will require full-year funding; therefore, we are requesting this increase to annualize the level approved in 1975.
 - (c) An increase of \$218,000 for 11 additional warehouse examiners under the U.S. Warehouse Act (FY 1975 base, \$2,053,000).

Need for Increase: It is the responsibility of AMS to perform periodic inspections of all warehouses licensed under the U.S. Warehouse Act. These inspections must be both unannounced and frequent if they are to serve their intended purpose of providing adequate protection of depositors and proper maintenance of receipts. Experience has shown that frequent unannounced examinations are strong deterrents in preventing warehousemen from committing irregularities which can be costly to the producer and the general public.

In the past years AMS has been able to conduct inspections with a frequency sufficient to maintain the integrity of the service. However, the steady increase of warehouse capacity and the associated increase in time spent by AMS inspectors at each warehouse, has resulted in an insufficient frequency of inspections. The average grain warehouse, for example, has increased its capacity 38% over the last seven years.

As the interval between examinations continues to increase, warehouse personnel may become lax in complying with all provisions of the Warehouse Act. This forces AMS inspectors to spend more time than usual in determining and correcting these inequities; thus frequency of inspections continues to decrease and we find ourselves caught in a circle of steadily decreasing inspections.

Plan of Work: Administration of the U.S. Warehouse Act is carried out primarily through a warehouse-licensing system and a program of periodic inspections. The Agricultural Marketing Service licenses and bonds public warehousemen storing agricultural products and supervises the operations of those licensed to assure compliance with the Act. After a warehouseman's application has been received, and before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examinations to be sure that each Federally licensed warehouse meets its obligations in terms of financial condition of the licensee, the adequacy of warehouse records, and condition and contents of the warehouse. The eleven additional warehouse examiners will be placed under the supervision of highly qualified warehouse examiners for training and then assigned to predominant grain production areas.

- (d) An increase of \$70,000 for FY 1976 to reduce the backlog of cases under the Federal Seed Act (FY 1975 base, \$342,000).

Need for Increase: Currently there is over a 1,600 case backlog of complaints requiring investigation or action under the Federal Seed Act. This backlog has accumulated because the current funding does not support a staff sufficient to handle the existing workload. The Federal force is able to expend efforts on only what appear to be the most serious reported violations. In addition, many enforcement actions or complaints have been delayed beyond the point where they can be most effective--that is, before the next season's sales. Such a backlog and delay in actions detracts from effectiveness of actions, presents a poor image with the public, and discourages State Departments of Agriculture from cooperating in enforcement activities. Because of USDA's inability to handle reported cases on a timely basis the States are reporting to USDA for further action only an estimated one-third of the violations they find while sampling lots of seed.

Plan of Work: The increase of \$70,000 in FY 1976 will provide five additional staff members necessary to reduce the backlog and provide faster action on violations.

As the backlog of cases is reduced, and reported violations are handled more rapidly, it is anticipated that the States will improve their cooperation by reporting more of the violations they discover. The five additional man-years will be needed on a continuing basis to meet this increase in the number of reported violations.

- (e) A non-recurring increase of \$150,000 to conduct a referendum and develop an order under the "Egg Research and Consumer Information Act" (FY 1975 base, 0).

Need for Increase: These funds are needed to cover the costs of salary, travel, postage and other related costs incurred by AMS for conducting a referendum and establishing an order. With 200,000 potential voters being contacted, most of the increased costs will be associated with mailing, counting, and verifying the respondents' replies.

Plan of Work: The Egg Research and Consumer Information Act of 1974 will enable producers of poultry and poultry products to establish, finance and carry out a coordinated program of research, producer and consumer education, and promotion. The initial costs of the referendum and order formulation are to be borne by AMS for the first year. In subsequent years, AMS will be reimbursed for any services provided to the Egg Board in conjunction with the administration and enforcement of this Act. These funds will be required for FY 1976 only.

- (f) A decrease of \$54,000 following the FY 1975 purchase of equipment for National Seed Testing Laboratory. A one time increase of \$54,000 for the purchase of equipment for the National Seed Testing Laboratory was granted in the fiscal year 1975 Budget. The equipment has been purchased and the budget is being reduced accordingly.

TRANSITION BUDGET

Marketing Services

Transition Budget Estimate \$11,697,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

All activities, except Inspection, Grading, Classing, and Standardization, include funds at one-fourth the level of the FY 1976 Budget Estimate. This one activity includes additional funds for tobacco grading and grain supervision to cover seasonal variations in these programs. Tobacco grading is directly affected by the July opening of the auction markets. This causes peak employment from July through December which includes the transition period. The normal harvest season for grain is July through September. A higher proportion of grain is moved into commerce during the period and is inspected by Official Inspection Agencies. This will require increased supervision of these inspectors.

Funds Received from Commodity Credit Corporation
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

	<u>Administrative Expense Limitation</u>	<u>Capital Fund</u>	<u>Total</u>
Available, 1975	\$3,308,000	\$2,087,000	\$5,395,000
Budget Estimate, 1976	<u>3,343,000</u>	<u>2,105,000</u>	<u>5,448,000</u>
Increase in Availability ...	<u>+35,000</u>	<u>+18,000</u>	<u>+53,000</u>

PROJECT STATEMENT

Project	: 1974 : Actual	: 1975 : Estimated	: Increase : or : Decrease	: 1976 : Estimated
Funds from Commodity Credit Corporation:				
Warehouse Examination:				
Administrative Expense Limitation	\$2,845,600	\$3,308,000	+\$35,000 (1)	\$3,343,000
Capital Fund	175,164	225,000	--	225,000
Total, Warehouse Examination	3,020,764	3,533,000	+35,000	3,568,000
Cotton classing and tobacco grading	--	1,852,000	+18,000 (2)	1,870,000
Classing CCC-owned cotton .	--	10,000	--	10,000
Total funds from CCC ..	3,020,764	5,395,000	+53,000	5,448,000

EXPLANATION OF PROGRAM

Warehouse Examination

The Agricultural Marketing Service administers the CCC warehouse inspection program under a memorandum of understanding with the Agricultural Stabilization and Conservation Service.

The Commodity Credit Corporation, in carrying out its various price support programs, has contracts with approximately six thousand commercial commodity warehouses for the storage and handling of commodities owned by or pledged to CCC for government loans.

AMS is responsible for determining the qualifications of warehouses and warehousemen for CCC contract purposes, and for protecting the government's interest in commodities stored in such warehouses. This is done through original examinations of warehouses and investigations of warehousemen when applications for contracts are filed with CCC, through periodic subsequent examinations of warehouses and the commodities stored therein after CCC enters into a contract, and through continuing review of the warehouseman's operations and financial stability.

Goals are to examine each warehouse at least twice each fiscal year--four times in the case of warehouses storing processed commodities--plus the necessary followup examinations, and to obtain and review a financial statement from each warehouseman at least once each year.

Cotton Classing and Tobacco Grading

The 1952 Department of Agriculture Appropriation Act provided permanent legislation for transfer of funds from the Commodity Credit Corporation to supplement the appropriation for the classing of cotton and grading of tobacco and any other commodity for which the producer does not pay for the service (7 USC 414a).

Classing CCC-owned Cotton

Reimbursements are received for services performed in classing CCC-owned cotton under authority of 31 USC 686.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$35,000 in warehouse examination for annualization of pay cost increases effective in FY 1975.
- (2) An increase of \$18,000 in cotton classing and tobacco grading for annualization of pay cost increases effective in FY 1975.

TRANSITION BUDGET

Funds Received from Commodity Credit Corporation
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

Transition Budget Estimate:

Warehouse Examination:

Administrative Expense Limitation	\$836,000
Capital Fund	60,000
Total, Warehouse Examination	<u>896,000</u>
Cotton Classing and Tobacco Grading	468,000
Classing CCC-owned Cotton	2,000
Total, Funds from CCC	<u><u>1,366,000</u></u>

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

STATUS OF PROGRAM

Work under this appropriation consists of three major areas designed to advance an efficient, orderly marketing system for agricultural commodities. A market news service is carried out in cooperation with the States to provide farmers and other interested parties with timely, accurate and unbiased information on prices, supplies and quality of most agricultural commodities produced or sold in the United States. The inspection, grading, classing and standardization program provides for quality standards and the uniform application of them. Under the regulatory programs, various laws are administered to assure fair trading in agricultural commodities and to assist producers and marketers in obtaining and maintaining equitable transportation rates and services on farm products and supplies.

Each subappropriation is further divided into financial projects. Current activities, progress, and current programs under each project are outlined below.

MARKETING SERVICES

1. Market News

Current Activities:

The objective of the Federal-State Market News Service is to help facilitate an orderly and efficient marketing system for agricultural products. This is accomplished through the collection and dissemination of timely information on prices, demand, movement, volume, and quality of most major agricultural commodities produced or sold in the United States.

Market news directly or indirectly helps all segments of the American economy:

- ... It helps producers to decide where and when and at what price to sell.
- ... It assists producers in planning production.
- ... It aids dealers in deciding what prices to offer and where to ship.
- ... It assists the Federal Government in determining price support differentials and price levels for surplus removal and other purchase programs.
- ... It helps develop orderly marketing which provides American consumers with a reliable and reasonably priced supply of foods to meet their daily needs.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by the news media, as well as by mimeographed reports, telephone, tape recorder, and telegraph.

The cornerstone of the market news service is Federal-State cooperation. In 1974, forty-three States were parties to cooperative agreements with the Department; these agreements provide for Federal-State sharing of the costs of market news reporting, with each State's share based for the most part on the relationship between the national and the local significance of the service.

Selected Examples of Recent Progress:

A. Changes in the Market News Service:

Shifting market patterns and improved technology require continuous review and adjustments of market news activities. While some needed adjustments can be financed by added support from State cooperative agreements, good management also plays an important role in maintaining an efficient market news system. In 1974, increased use was made of telephone tape recorders at various locations, often under industry sponsorship, to reduce dependence on mimeographed reports. Mailing costs were additionally minimized through careful distribution procedures which helped coordinate mailing frequencies with the needs of the users of the reports. Generally mailing frequencies have been reduced in order to control costs, where such action could be taken without material injury to the market news function.

Cotton. Guidelines were established and put into use by Cotton Division offices for the collection, compilation and reporting of estimates of the volume of forward contracting of cotton.

Fruit & Vegetable. A year-round Federal-State market news office was opened at Newburgh, New York to serve growers and shippers of apples, onions, lettuce and other vegetable crops.

Grain. World grain data has been incorporated on a regular basis in grain market news publications. In addition, volume data on production, imports and exports of leading countries of the world is being included for wheat, coarse grains, soybeans and rice.

B. Market News Activity, by Commodity Group, Fiscal Year 1974:

Commodity Group	Field Offices	Buyers and Sellers Inter-viewed	Number of Commodities Reported	Mimeographed Releases to Growers, Shippers and Others	Number on Mailing List	No. of Federal Reporters	No. of Markets Covered
Cotton and Cottonseed:							
Year-round	32						
Seasonal	8						
Total	40 <u>a/</u>	2,512	3	689,811	28,793	47	49
Dairy & Poultry Products	31	2,293	83	2,384,000	27,399	31	150
Fruits & Vegetables:							
Year-round	25						
Seasonal	23						
Total	48	6,100	175	7,075,000	73,000	53	197
Grain & related Products	26	1,472	36	2,974,000	46,907	13	176
Livestock, Meats and Wool	46	5,800	4	1,029,282	19,508	79	304
Naval Stores and Tobacco:							
Year-round	3						
Seasonal	7						
Total	10	300	3 <u>b/</u>	872,963	2,353	9	178

a/ Includes 36 (28 permanent and 8 seasonal) integrated market news/classing offices.

b/ Includes 13 types of tobacco.

C. Federal Cost of Service:

	<u>1974</u>	<u>1975</u> <u>Estimate</u>	<u>1976</u> <u>Estimate</u>
Total Federal cost of service	\$9,730,536	\$11,276,000	\$11,752,000
Less reimbursements* ..	<u>414,294</u>	<u>405,000</u>	<u>409,000</u>
Paid from Appropriation	9,316,242	10,871,000	11,343,000

*Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended by States and local groups both under cooperative agreements and outside of agreement.

2. Inspection, Grading, Classing, and Standardization

Current Activities: These programs assist in the marketing of agricultural products. This is done by (1) establishing national standards for all major agricultural commodities, which reflect quality and condition; (2) developing equipment and methods by which these standards may best be applied; (3) broadening the use of such standards through demonstrations, training courses, bulletins, and distribution of photographs, copies of standards, etc.; (4) providing an inspection, grading, and classing service based on these standards; and (5) administering and enforcing laws for the continuous inspection of egg products shipped in interstate, intrastate and foreign commerce, and those requiring the use of official U.S. standards for all cotton and cotton linters sold by grade and shipped in interstate and foreign commerce, for grain sold in foreign commerce, and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress:

A. Standardization and related activities:

1. Cotton - The 17th Universal Cotton Standards Conference was held in Memphis, Tennessee, in May 1974. It was attended by 94 official delegates representing the overseas signatory associations to the Universal Cotton Standards Agreement and domestic producers, ginners, shippers, exchanges, and manufacturers. The delegates approved 100 key sets of Universal Cotton Standards to be used in this country and abroad, and agreed to the elimination of three grade standards and the changing of one physical standard to a descriptive standard. The revisions in standards will become effective July 1, 1975.
2. Fruit and Vegetable - The eleventh session of the Codex Committee on Processed Fruits and Vegetables was held in Washington, D.C. in June 1974. Representatives and observers from 23 countries and four international organizations attended the session. Four standards were reviewed, revised or written, four were proposed for consideration in the future, and two were advanced by the Committee for transmission to the Codex Alimentarius Commission for consideration and appropriate action.

3. New and Revised Standards:

	<u>1974</u>	<u>1975 Est.</u>	<u>1976 Est.</u>
International and U.S. standards in effect,			
June 30	614	628	632
Number of commodities covered	321	329	334
 New standards issued	2	7	6
New standards in process, June 30	11	12	8
Requests pending for new standards, June 30	21	13	8
 Standards revised	26	32	42
Standards being revised, June 30	33	43	41
Requests pending for revision of			
standards, June 30	7	11	7

B. Inspection, Grading and Classing:

1. Cotton Classing - A total of 12.7 million samples were classed during the fiscal year, compared to 13.5 million samples in Fiscal Year 1973. Smith-Doxey classing for farmers accounted for 12.2 million samples, a decrease of 700 thousand from last year. Classing for farmers during the 1974 fiscal year represented 97 percent of total ginnings. Classings for CCC sales programs totaled about 0.2 million samples, compared to 0.3 million last year.

The Board of Cotton Linters Examiners classed 990 linters samples under the United States Cotton Standards Act.

Licensed cottonseed chemists issued about 63,000 cottonseed grade certificates which represented about 74 percent of cottonseed production. Licenses were issued to 35 cottonseed chemists and 144 cottonseed samplers.

Number of Cotton Classifications and Related Data - 1974-1975:

	Number (Thousand)	
	1974 (Actual)	1975 (Estimated)
<u>Cotton Classifications:</u>		
Statistics and Estimates Act	64	65
Smith-Doxey Amendment	12,180	13,000
Cotton Standards Act:		
Public Classing Service	179	100
Federal Penitentiary (reimbursement)	11	15
CCC (reimbursement)	--	--
P.L. 480 (reimbursement)	4	5
Cotton Futures Legislation	291	300
Other	15	15
Total, Cotton Classifications	12,744	13,500
<u>Cotton Fiber Tests</u>	417	450
<u>Cotton Linters Classifications:</u>		
Cotton Standards Act	1	1

2. Dairy Products - A total of 1.7 billion pounds of dairy and other food products were inspected and graded during FY 1974. This compares with a volume of 2.5 billion pounds during the previous fiscal year, representing a decrease of 32 percent in the overall volume of products inspected and graded. The reduced workload reflects a 63 percent decrease in CCC purchases under the dairy price support program and less utilization of butter, cheese and nonfat dry milk through donation programs.

Total purchases by CCC under the support program were equivalent to 0.5 billion pounds of milk in the 1973-1974 marketing year as compared to 4.8 billion in 1972-1973. Butter purchases were down 90 percent from the previous year, cheese purchases showed a 55 percent decline and nonfat dry milk purchases declined 84 percent.

During the past fiscal year about 19 percent of the inspection and grading services were related to the sale of manufactured dairy products to the Government, as compared to about 65 percent in recent years. This alteration in purchases by the Government is primarily responsible for the sharp reduction in volume of product graded.

Inspection and grading on products manufactured in plants having the Resident Program accounted for 49% of the total volume of gradings performed last year. The breakdown is as follows: 432 million pounds of nonfat dry milk, 329 million pounds of butter, 61 million pounds of cheese, and 27 million pounds of cottage cheese, sterilized milk, dry whey, buttermilk, and ice cream mix. The number of plants using the Resident Program declined by two this past year making the current total 38.

3. Fruits and Vegetables - The overall volume of fresh products inspected during the year surpassed that of last year by more than three billion pounds. This represents a five percent increase and is the largest volume inspected in a single year. Receiving market inspection volume was down seven percent from last year. Rail delays, strikes, shortage of personnel and high prices were contributing factors. Shipping point inspection volume was up about six percent over that of the previous year. All categories of shipping point work showed increases.

The volume of processed fruits and vegetables inspected under in-plant inspection increased approximately eight and one-half percent from fiscal year 1973. This increase occurred largely in the plants with continuous inspection service, whereas volume under other types of in-plant service actually decreased.

	Canned			Frozen		
	1972	1973	1974	1972	1973	1974
	(million pounds)*			(million pounds)		
Continuous	5,670	5,911	7,012	3,587	3,832	4,343
Other In-Plant .	921	866	423	499	444	225
Total	6,591	6,777	7,435	4,086	4,276	4,568

*Basis 30 pounds per case.

4. Volume of Grain Inspection and Appeal Activities under the U.S. Grain Standards Act:

	Fiscal Year	
	1974 Actual	1975 Estimated
<u>Inspection Services:</u>		
Million bushels produced	10,988	12,472
Million bushels inspected	10,300	10,500
Number of inspections	4,000,000	4,000,000
Inspections Federally supervised		
(excluding appeals)	75,000	85,000
Percent of inspections supervised		
(including appeals)	2.2	2.3
<u>Appeal Services:</u>		
Number of appeals referred	21,942	22,000
Original grades sustained (percent)	80	80
Appeals carried to Appeals Board ...	205	175
Original grades sustained by Appeals Board (percent)	80	82

5. Meat Grading - Beef that was quality graded during fiscal year 1974 totaled 12,198,300,000 pounds, a decrease of more than a billion pounds from last year. This substantial decrease contrasts to an almost steady increase for a number of years and reflects the disruptive influence on beef production and marketing of unstable economic and other conditions. Yield grading volume increased 5 billion pounds from last year to 7,649,100,000 pounds. This increase was particularly significant during the second half of the year resulting in a yield graded/quality graded percentage of 70.3 percent, the highest on record and 10 points higher than earlier in the year.
6. Poultry Products - A total of 762 resident plants received official grading and egg products inspection services at some time during the year. On June 30, 1974, there were 725 different plants which had a total of 789 individual applications in force for the grading of poultry and shell eggs and inspection of egg products. That is a decrease of 6 poultry plants, 21 shell egg plants, and 7 egg products plants from a year ago. The decreases were due mainly to some small processing plants cancelling service and some plant mergers. The number of mandatory egg products plants remained constant although there was an increase in production shifts and higher volume processed in the large complex drying and breaking plants. Increases are expected in the number of official shell egg and poultry plants requiring grading services next year due to increased demands by cities, States, and institutions as well as the usual consumer demands for higher quality products.

VOLUME OF POULTRY AND EGGS PROCESSED AND GRADED IN
OFFICIAL USDA PLANTS IN FISCAL YEARS 1973-1974

	Volume Processed in Official Plants <u>1/</u>		Volume of Products Inspected and/or Graded/Regraded <u>3/</u>	
	<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1973</u>	<u>FY 1974</u>
Poultry (excl. Turkeys) (mil. lbs. ready-to-cook)	8,344	8,587	6,369	6,415
Turkeys (mil. lbs. ready-to-cook)	1,822	1,910	1,820	1,894
Rabbits (mil. lbs. ready-to-cook)	<u>2/</u>	1	2	1
Liquid/Frozen Eggs (thou. lbs.)	613,360	702,991	639,864	724,387
Dried Eggs <u>4/</u> (thou. lbs.)	67,504	74,237	67,718	75,164
Shell Eggs (mil. doz.)	2,621	2,554	1,912	1,806

1/ Poultry processed in official plants refers to quantities certified as wholesome, egg products refers to quantities processed under continuous inspection by USDA, and shell eggs refers to eggs handled in plants under the voluntary grading program.

2/ Less than 3 plants reporting.

3/ Includes product regraded in plants and terminal markets.

4/ Includes reconstituted product.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Actual Obligations for Inspection, Grading, Classing and Standardization
and Cost of Program to Taxpayer, by Work Project
Fiscal Year 1974

Budget Project	Total Program Obligations	Paid from Revenue Earned		Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost Charged to : Covered by Taxpayer : Revenue
		Reimbursed to: Trust Funds	Total				
				INSPECTION, GRADING AND CLASSING			
Cotton	7,791,265	103,113	81,729	184,842	1,883,233 1/	5,723,190	73.5
Dairy Products	2,818,988	--	2,818,988	--	--	--	26.5
Egg Inspection	5,278,715	315,009	--	315,009	56	4,963,650	100.0
Fruits & Vegetables	15,822,564	28,697	15,226,976	15,255,673	796	566,095	6.0
Grain	4,305,841	1,678,547 2/	--	1,678,547	548	2,631,294	96.4
Livestock	10,219,994	--	10,219,994	--	--	2,631,294	38.3
Naval Stores	23,112	--	--	23,112	18	23,094	100.0
Poultry Products	9,132,107	--	8,912,581	219,526	224	219,302	99.9
Rice, Hay, Beans, etc.	4,003,054	--	4,003,054	--	--	--	2.4
Tobacco	5,361,319	379,164	1,889	381,053	5,614	--	97.6
Total	64,761,159	2,504,530	41,265,211	43,769,741	20,991,418	1,890,489	100.0
				STANDARDIZATION			7.2
Cotton	478,612	--	--	478,612	41,460	437,152	91.3
Dairy Products	153,424	--	--	153,424	2	153,422	100.0
Egg Inspection	--	--	--	--	--	--	--
Fruits & Vegetables	590,799	--	4,402	586,397	274	586,123	99.2
Grain	172,049	--	--	172,049	2	172,047	100.0
Livestock	362,331	--	--	363,331	233	363,098	99.9
Naval Stores	15,661	--	--	15,661	3	15,658	100.0
Poultry Products	102,341	--	--	102,341	--	102,341	100.0
Rice, Hay, Beans, etc.	94,490	--	--	94,490	1	94,489	100.0
Tobacco	84,177	--	--	84,177	31	84,146	100.0
Total	2,054,884	--	4,402	2,050,482	42,006	2,008,476	97.7
				TOTAL, INSPECTION, GRADING, CLASSING AND STANDARDIZATION			2.3
Cotton	8,269,877	103,113	81,729	184,842	8,085,035	6,160,342	74.5
Dairy Products	2,972,412	--	2,818,988	--	153,424	2	25.5
Egg Inspection	5,278,715	315,009	--	315,009	4,963,706	56	94.8
Fruits & Vegetables	16,413,363	28,697	15,231,378	15,260,075	1,153,288	4,963,650	5.2
Grain	4,481,890	1,678,547	--	1,678,547	2,803,343	1,152,218	94.0
Livestock	10,583,325	--	10,219,994	10,219,994	363,331	2,802,793	7.0
Naval Stores	38,773	--	--	38,773	21	363,098	63.2
Poultry Products	9,234,448	--	8,912,581	321,867	224	38,752	3.4
Rice, Hay, Beans, etc.	4,037,544	--	4,003,054	4,003,054	1	321,643	100.0
Tobacco	5,445,696	379,164	1,889	381,053	5,645	5,058,998	92.9
Total	66,816,043	2,504,530	41,269,613	43,774,143	23,041,900	21,109,405	31.6

1/ 5,240 bales of loose cotton at an estimated value of \$1,464,700 were used by the Federal penitentiary in Atlanta, Georgia. If sold on the open market the net cost to the taxpayer of the cotton classing program would be reduced.

2/ Includes \$1,635,199 reimbursement to the U.S. Grain Standards Act Fund.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Obligations for Inspection, Grading, Classing and Standardization
and Cost of Program to Taxpayer, by Work Project
Fiscal Year 1975

Budget Project	Total Program Obligations	Paid from Revenue Earned		Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer		Percent of Total Cost Charged to: Covered by Taxpayer: Revenue	
		Reimbursed to: Trust	Funds	Total		Taxpayer	Revenue		
					INSPECTION, GRADING, AND CLASSING				
Cotton	10,332,000	1,585,000	60,000	1,645,000	8,687,000	7,752,000	75.0	25.0	
Dairy Products	2,680,000	--	2,680,000	2,680,000	--	--	--	100.0	
Egg Inspection	6,530,000	331,000	--	331,000	6,199,000	6,199,000	94.9	5.1	
Fruits and Vegetables	15,976,000	34,000	15,336,000	15,370,000	606,000	606,000	9.3	90.7	
Grain	5,183,000	2,076,000	--	2,076,000	3,109,000	3,109,000	60.0	40.0	
Livestock	10,375,000	--	10,375,000	10,375,000	--	--	--	100.0	
Naval Stores	33,000	--	--	--	33,000	33,000	100.0	--	
Poultry Products	9,594,000	--	9,340,000	9,340,000	254,000	254,000	2.7	97.3	
Rice, Hay, Beans, etc.	3,871,000	--	3,871,000	3,871,000	--	--	--	100.0	
Tobacco	5,854,000	909,000	2,000	911,000	4,943,000	4,943,000	84.4	15.6	
Total	70,430,000	4,935,000	41,664,000	46,599,000	23,831,000	22,896,000	32.5	67.5	
					STANDARDIZATION				
Cotton	559,000	--	--	--	559,000	519,000	92.8	7.2	
Dairy Products	125,000	--	--	--	125,000	125,000	100.0	--	
Egg Inspection	--	--	--	--	--	--	--	--	
Fruits and Vegetables	665,000	--	10,000	10,000	655,000	655,000	98.5	1.5	
Grain	266,000	--	--	--	266,000	266,000	100.0	--	
Livestock	392,000	--	--	--	392,000	392,000	100.0	--	
Naval Stores	21,000	--	--	--	21,000	21,000	100.0	--	
Poultry Products	124,000	--	--	--	124,000	124,000	100.0	--	
Rice, Hay, Beans, etc.	92,000	--	--	--	92,000	92,000	100.0	--	
Tobacco	118,000	--	--	--	118,000	118,000	100.0	--	
Total	2,362,000	--	10,000	10,000	2,352,000	2,312,000	97.9	2.1	
					TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION				
Cotton	10,891,000	1,585,000	60,000	1,645,000	9,246,000	8,271,000	75.9	24.1	
Dairy Products	2,805,000	--	2,680,000	2,680,000	125,000	125,000	4.5	95.5	
Egg Inspection	6,530,000	331,000	--	331,000	6,199,000	6,199,000	94.9	5.1	
Fruits and Vegetables	16,641,000	34,000	15,346,000	15,380,000	1,261,000	1,261,000	7.6	93.4	
Grain	5,451,000	2,076,000	--	2,076,000	3,375,000	3,375,000	61.9	38.2	
Livestock	10,767,000	--	10,375,000	10,375,000	392,000	392,000	3.6	96.4	
Naval Stores	54,000	--	--	--	54,000	54,000	100.0	--	
Poultry Products	9,718,000	--	9,340,000	9,340,000	378,000	378,000	3.9	96.1	
Rice, Hay, Beans, etc.	3,963,000	--	3,871,000	3,871,000	92,000	92,000	2.3	97.7	
Tobacco	5,972,000	909,000	2,000	911,000	5,061,000	5,061,000	13.2	86.8	
Total	72,792,000	4,935,000	41,674,000	46,609,000	26,183,000	25,208,000	34.6	65.4	

1/ 5,200 bales of loose cotton at an estimated value of \$750,000 will be used by the Federal Penitentiary in Atlanta, Georgia. If sold on the open market the net cost to the taxpayer of the cotton classing program would be reduced.

2/ Includes \$2,062,000 reimbursement to the U.S. Grain Standards Act Fund.

7. Volume of Tobacco Inspected by Class, Fiscal Year 1974 and Estimated 1975

	Number of Auction Markets Designated and Inspected	Sets of Buyers	Quantity Inspected and Sold (Thousand Pounds)
<u>Auction Markets:</u>			
Flue-cured	94	145	1,181,225
Fire-cured	8	8	25,562
Dark air-cured	9	5	12,027
Burley	61	71	496,750
Maryland	4	5	36,285
Total Auction Markets	176	234	1,751,849
<u>Cooperative Marketing Associations:</u>			
Auction types	---	---	31,646
Non-auction types	---	---	6,914
Total Cooperative Marketing Associations	---	---	38,560
Total, 1974	176	234	1,790,409
Estimated 1975 (auction markets only)	176	234	1,830,000

8. Commodities Inspected and Graded on a Fee Basis (Agricultural Marketing Act)
Fiscal Years 1974-1975

	(in million pounds)	
	1974	1975 (est.)
<u>Fresh fruits and vegetables:</u>		
Receiving markets	3,854	4,488
Shipping points	59,646	60,456
<u>Processed fruits and vegetables:</u>		
Canned	8,058	7,250
Frozen, dried and other	6,020	4,850
<u>Dairy products:</u>		
Butter, cheese, milk, etc.	1,686	2,150
<u>Poultry products:</u>		
Shell eggs (million dozen)	1,806	1,865
Processed eggs	799	731
Poultry	8,309	8,424
<u>Grain and related products:</u>		
Rice, beans, peas	8,566	10,725
Hops	55	50
Hay and straw	1	--
Miscellaneous commodities	3,186	3,000
<u>Meat and meat products graded:</u>		
Beef	19,847	22,572
Veal and Calf	18	19
Lamb and Mutton	349	334
Miscellaneous	578	630
Total, meat and meat products	20,792	23,555
<u>Cotton Micronaire</u> (no. of samples, thousands)	244	206
<u>Naval Stores:</u>		
Rosin	14	14
Turpentine	5	5

9. Revision in Fees and Charges in Fiscal Year 1974 and
Fiscal Year 1975
(Through December 31, 1974)

Commodity and Service	Action on Fees	Effective
<u>DAIRY:</u>		
Inspection and Grading Service performed on an hourly basis	Increased from \$12.00 to \$13.20 per hour plus expenses	1/6/74
	Increased from \$13.20 per hour plus expenses to \$16.00 per hour plus expenses from 6 a.m. to 6 p.m.	7/3/74
	Increased from \$14.52 to \$17.60 per hour from 6 p.m. to 6 a.m.	7/3/74
Services performed on a continuous non-resident basis	Increased from \$14.20 to \$15.60 per hour	1/6/74
	Increased from \$15.60 to \$18.60 per hour from 6 a.m. to 6 p.m.	7/3/74
	Increased from \$16.92 to \$20.20 from 6 p.m. to 6 a.m.	7/3/74
	Increased from \$22.20 to \$26.60 per hour - holidays, Saturdays and Sundays	7/3/74
Services performed on a continuous resident basis	Increased from resident's salary plus 50% to \$12.00 per hour plus expenses	8/19/74
Laboratory Services on an hourly basis	Increased from \$13.00 to \$14.30 per hour	1/6/74
	Increased from \$14.30 to \$18.00 per hour	7/3/74
<u>FRUIT AND VEGETABLE:</u>		
Citrus inspection (under agreement with the State of Florida) per case	Increased from \$.0073 to \$.0110	10/1/73
Inspection of olives (under Federal Marketing Order) per case	Decreased from \$.039 to \$.025	9/1/73
Inspection of dates (under Federal Marketing Order) per cwt.	Increased from \$.27 to \$.28	10/1/73

Commodity and Service	Action on Fees	Effective
<u>FRUIT AND VEGETABLE (Cont'd)</u>		
Inspection of raisins (under Federal Marketing Order) per ton	Decreased from \$3.25 to \$2.75	9/1/73
In-plant inspection:		
(a) Seasonal	Increased from \$15.00, \$11.00, \$5.30 to \$15.70, \$11.50, \$5.55	11/11/73
(b) Year-round	Increased from \$9.65, \$7.00, \$5.30, \$10.50, \$7.70 to \$10.10; \$7.35, \$5.55, \$11.00, \$8.10	11/11/73
Lot inspection (hourly rate)	\$12.00 to \$12.60 per hour \$12.60 to \$14.80 per hour	11/11/73 11/10/74
Quality and Condition Inspection (Fresh Inspection on a carlot basis)	\$20.00 to \$21.00 on 1/2 to 1 carlot \$21.00 to \$24.00 on 1/2 to 1 carlot \$17.00 to \$18.00 on 1/2 carlot or less \$18.00 to \$20.00 on 1/2 carlot or less \$40.00 to \$42.00 on multi-product carlot \$42.00 to \$48.00 on multi-product carlot	11/11/73 12/8/74 11/11/73 12/8/74 11/11/73 12/8/74
Condition Inspection (Fresh Inspection on a carlot basis)	\$17.00 to \$18.00 on 1/2 to 1 carlot \$18.00 to \$20.00 on 1/2 to 1 carlot \$15.00 to \$16.00 on 1/2 carlot or less \$16.00 to \$18.00 on 1/2 carlot or less \$34.00 to \$36.00 on multi-product carlot \$36.00 to \$40.00 on multi-product carlot \$3.25, \$4.25, \$6.00, \$9.00 to \$4.00, \$5.00, \$7.00 and \$11.00: for small lot, not requiring detailed reports	11/11/73 12/8/74 11/11/73 12/8/74 11/11/73 12/8/74

Commodity and Service	Action on Fees	Effective
<u>FRUIT AND VEGETABLE</u> (Cont'd)		
Hourly rate (Fresh Inspection) ...	\$10.00 to \$11.00 per hour	11/11/73
	\$11.00 to \$12.00 per hour	12/8/74
Additional hourly charge for over- time on holiday work	\$5.00 to \$6.00 per hour	12/8/74
<u>GRAIN:</u>		
Inspection and grading of rice, hay, beans, peas, hops, seeds, and miscellaneous agricultural commodities:		
(a) Commodities other than rice (hourly rates)	Increased from \$11.20 to \$12.20 per hour	7/1/74
(b) Inspection of rough, brown, and milled rice	Increased an average of 30%	12/9/73
<u>LIVESTOCK:</u>		
Meat Grading Service:		
Monday through Friday between 6:00 a.m. and 6:00 p.m.	Increased from \$13.00 to \$13.80 per hour	11/18/73
	Increased from \$13.80 to \$14.60 per hour	11/3/74
Saturday, Sunday, and Monday through Friday between 6:00 p.m. and 6:00 a.m.	Increased from \$15.20 to \$16.00 per hour	11/18/73
	Increased from \$16.00 to \$17.60 per hour	11/3/74
<u>POULTRY:</u>		
Grading of Poultry, Poultry Products and Eggs:		
Services performed by a resident grader	Increased an average of 10%	11/4/74
Services performed by a non- resident grader	Increased from \$9.20 to \$12.00 per hour for regular time	7/1/74
	Increased from \$11.40 to \$15.00 per hour for Saturday, Sundays and legal holidays	7/1/74
Laboratory service	Increased from \$11.40 to \$13.20 per hour	7/1/74

3. Regulatory Activities

Current Activities: Several marketing regulatory laws are administered by AMS. These include Section 201 of the Agricultural Adjustment Act of 1938, the Federal Seed, U.S. Warehouse, Export Apple and Pear, Export Grape and Plum, Tobacco Seed and Plant Exportation, Naval Stores, Agricultural Fair Practices, Plant Variety Protection, Cotton Research and Promotion, Egg Research and Consumer Information, and Wheat Research and Promotion Acts. These laws regulate various marketing activities and the administration of each includes one or more of the following: (1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) ascertaining the reasonableness of rates and charges; (5) suspension or revocation of licenses or registrations; (6) determination of adequacy of bond coverage; (7) audits of books and records; (8) investigating complaints and violations; (9) settling disputes; (10) handling of violations; (11) assistance to producers in obtaining and maintaining equitable and reasonable transportation rates and services for farm products and supplies; (12) legal protection to developers of new varieties of plants which reproduce sexually; and (13) surveillance of activities conducted in accordance with the provisions of the Cotton and Wheat Research and Promotion Acts.

Selected Examples of Recent Progress:

A. Federal Seed Act

This law applies to agricultural and vegetable seeds moving in interstate and foreign commerce. It requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for vegetable seed moving in interstate and foreign commerce. Under memorandum of agreement with all States, State seed inspectors cooperate in the enforcement of this Act. The U.S. Customs Service cooperates with AMS to enforce provisions of the Act relating to imported seed.

1. Interstate Enforcement. In Fiscal Year 1974, 868 complaints of violations of the interstate provisions of the Federal Seed Act were received--203 less than in the previous fiscal year. Apparent violations of the Act were reported by 35 States, two less than in 1973. The number of prosecutions recommended decreased from 109 in 1973 to 78 in 1974. The number of prosecutions initiated in court also decreased from 32 to 19 in 1974. About 530 State seed inspectors are authorized to inspect seed subject to the Act.

The increasing backlog of cases to be investigated is discouraging the States from cooperating in enforcement. The delay has also made action against the violating company ineffective as a corrective measure.

A summary of interstate enforcement activities is shown in the following table:

Interstate Activity	Fiscal Year		
	1974	1975 Est.	1976 Est.
<u>Cases for Investigation:</u>			
Total to be investigated	2,266	2,400	2,400
Investigations completed	668	1,000	1,500
Pending at end of year	1,598	1,400	900
<u>Administrative Actions:</u>			
No action warranted	128	150	200
Warnings issued	399	400	1,000
Cited for hearings	141	450	500
Seizures recommended (complaints)	2	5	3
Prosecutions recommended (complaints)	78	125	180
<u>Court Actions:</u>			
Prosecutions initiated (court cases)	19	25	35
Prosecutions pending at end of year	28	30	35
Seizure actions terminated	0	10	8
Seizure actions pending at end of year ...	10	0	0

2. Import Enforcement. Importations of agricultural and vegetable seeds from 32 countries amounted to 63 million pounds, valued at \$27 million in fiscal year 1974. This is 4 percent below the previous fiscal year's volume.

Of the 6,592 lots of seed offered for importation 511 lots were refused admission based on preliminary tests. Assorted dispositions were made of these lots and finally 6,492 lots were admitted.

Import work is shown in the following table:

Activity	Fiscal Year			
	: 1974	: 1975 Est.	: 1976 Est.	
Total import actions <u>1/</u>	: 6,947	: 7,500	: 7,500	
Lots offered for import	: 6,592	: 7,500	: 7,500	
Lots permitted entry	: 6,492	: 7,300	: 7,300	
Lots denied entry	: 511	: 500	: 500	
Kinds of seed imported	: 131	: 125	: 125	
Pounds of seed imported (millions) ...	: 63	: 70	: 70	

1/ Includes action taken on lots rejected once and acted on again after cleaning, etc.

3. Seed Testing. The volume of testing done on both foreign and domestic seed is shown in the following table:

Activity	Fiscal Year			
	: 1974	: 1975 Est.	: 1976 Est.	
Seed samples tested in connection with:	: :	: :	: :	
Imports	: 7,076	: 7,500	: 7,500	
Interstate shipments	: 1,518	: 1,800	: 2,000	
Standardization	: 1,745	: 1,800	: 1,800	
Service testing	: 1,421	: 1,500	: 1,500	

B. Naval Stores and Tobacco Export Permits

1. Naval Stores Act (Regulatory Provisions):

The regulatory aspect of this law protects users, particularly at the retail level, against adulteration of naval stores, misleading labeling, and short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

Regulatory activities in connection with Naval Stores have been reduced to a minimum level because of the rapidly decreasing significance of turpentine in small containers for retail sale, and the lack of discovery of significant violations in recent years. A testing operation was maintained for analysis and testing of a limited number of samples of turpentine.

2. Tobacco Seed and Plant Exportation Act:

This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In Fiscal Year 1974, 49 certificates were issued for the export of tobacco seed to be used for experimental purposes.

C. U. S. Warehouse Act

The primary objectives of this law are to (1) protect producers and others, including the Commodity Credit Corporation, who store their property in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, the Agricultural Marketing Service licenses and bonds public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products, and supervises the operations of those licensed to assure compliance with the Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examinations of (1) the financial condition of the licensee, (2) the adequacy of warehouse records, and (3) the condition and contents of the warehouse. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products, and are vital instruments in the marketing and financing of the products--the aggregate value of which may be \$7 billion or more at any one time.

1. Licensing Activity. Licensing activity increased during Fiscal Year 1974 with 163 new licenses and 384 amended licenses issued. The total of 547 such actions is 62 more than the volume of the preceding year. During the year, 133 licenses were terminated and 15 suspended. Six suspensions were subsequently lifted.

Licensed storage capacity for cotton decreased from 13,232,000 bales to 11,561,000 bales. Licensed grain capacity, however, increased from 1,931 million bushels to 1,962 million bushels. Approximately 41 percent of the Nation's commercial grain storage capacity and 61 percent of the commercial cotton storage capacity are now licensed.

The following table illustrates the trend in the total number of licenses, and capacity of licensed cotton and grain warehouses:

	:	As of June 30		
	:	1974	1975 Est.	1976 Est.
Total number of licenses	:	1,746	1,784	1,819
Capacity: Cotton (million bales) ..	:	11.6	11.7	11.8
Grain (million bushels) .	:	1,962	2,051	2,108

2. Supervisory Examination Activity. Licensed warehouses were examined at a rate of 2.06 examinations per year per cotton warehouse (2.11 in 1973), and 1.87 examinations per grain warehouse (1.92 in 1973). Total supervisory examinations were 3,316 in 1974, or 51 less than in 1973.

The following table reflects the warehouse examination workload:

	Fiscal Year			
	1974	1975 Est.	1976 Est.	
<u>Cotton</u>				
Examiner man-years	12.0	12.0	12.0	
Licensed capacity as of June 30				
(thousand bales)	11,561	11,668	11,783	
Percentage of average occupancy				
to total capacity	14.6	16.0	16.0	
<u>Grain</u>				
Examiner man-years	49.0	48.0	58.0	
Licensed capacity as of June 30				
(million bushels)	1,962	2,051	2,108	
Workload per man-year (million				
bushels)	40.7	42.7	36.3	

D. Transportation Services

This program aids farmers and shippers of agricultural commodities to secure efficient and economical transportation rates and services for farm products moving to storage, processing plants, and to markets. It also assists farmers with transportation problems concerning the movement of farm supplies to production areas.

In recent years agricultural shippers have become more and more concerned with railroad bankruptcies and mergers which bring about cessation of rail service and elimination of duplicate service between major terminals. The merger situation has prompted the carriers to seek abandonment of large segments of mainline trackage and low-revenue producing branch lines. It has been estimated that there are more than 21,000 miles of rail line which should be abandoned. Many of these lines are in rural areas. The Department is seeking solutions that would retain the essential transportation services for rural areas served by railroads.

In January 1974 the Regional Rail Reorganization Act was enacted to restructure the railroad system in 17 States in the Midwest and Northeast. Since this legislation calls for abandonment of extensive trackage, the Department has taken an active role to help inform agricultural interests of its impact and processes.

An additional concern to the agricultural transporters during this past year was the continuing shortage of rail grain cars, the retirement of rail refrigerator cars and trailers, and reduced speed limits, causing a reduction in motor carrier capacity. A grain rail car monitoring system was conducted to obtain meaningful data on the car supply problem. The monitoring system was instrumental in helping to alleviate the grain rail car shortage.

During FY 1974, the Department received notices of 12,200 proposed rate adjustments on agricultural commodities and farm supplies, and notices of 1,910 actions involving proceedings before regulatory agencies. Sixteen actions were taken with carrier rate-making bureaus and 68 actions were taken before regulatory agencies.

E. Export Fruits Acts

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote foreign trade of these U.S.-grown fruits. These laws protect the reputation of American-grown apples, pears, grapes and plums in foreign markets, prevent deception or misrepresentation as to the quality of such products, and provide for commercial inspection of them. During Fiscal Year 1974, 42 carriers' offices were visited. Seventy exporters and 485 lots of fruits were involved. The Acts and regulations were explained to carrier personnel, and files were checked for compliance.

F. Cotton Research and Promotion Act

The Cotton Research and Promotion Act was enacted on July 13, 1966, "to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton." The Act, and the Secretary of Agriculture's order issued pursuant to the Act, provide for a producer assessment of \$1 on each bale of upland cotton to carry out a program of research and promotion for cotton.

Continuing surveillance of the program is made by the Department to insure that operations are carried out in accordance with the Act and Order.

Through June 30, 1974, the Cotton Board had collected \$1 per bale assessments on 11,846,000 bales of upland cotton from the 1973-1974 crop. This is equivalent to 94.6 percent of total upland ginnings.

Refunds were made to producers on 1,229,000 bales of 1973-1974 upland cotton. This is about 10.4 percent of collections through June 30, 1974. Refunds on 1972-1973 crop cotton were equivalent to 12.5 percent of collections.

G. Plant Variety Protection Act

The Plant Variety Protection Act was passed on December 24, 1970. Its purpose is to encourage the development of novel varieties of sexually reproduced plants and to make them available to the public, providing protection to those who breed, develop or discover them.

A Plant Variety Protection Office has been established in the Agricultural Marketing Service to administer the provisions of the Act. This Office issues certificates of plant variety protection to developers of novel varieties of sexually reproduced plants, providing them with exclusive rights to sell, reproduce, import or export such varieties, or use them in the production of hybrids or different varieties for a period of 17 years.

A total of 105 applications for protection of new varieties of seed were received, compared to 102 in 1973. A total of 305 were pending action at the end of the year. Searches were conducted (to determine whether the seed constituted a new variety) on 141 applications and 97 certificates of protection were issued. Sixteen applications were abandoned after filing.

H. Federal Cost of Regulatory Activities:

	<u>1974</u>	<u>1975 Est.</u>
Total cost of activity	\$3,098,662	\$3,704,000
Less reimbursements	<u>3,080</u>	<u>3,000</u>
Paid from appropriation	3,095,582	3,701,000
Less income to General Revenue Fund of the Treasury	<u>202,498</u>	<u>202,000</u>
Net cost to taxpayer	2,893,084	3,499,000
Percent of total cost charged to taxpayer	93.4	94.5
Percent of total cost covered by revenue	6.6	5.5

4. Administration and Coordination of State Payments

Current Activities: The Federal-State Marketing Improvement Program is authorized under Title II of the Agricultural Marketing Act of 1946. The program is designed to solve marketing service problems at the State and local level through projects proposed and carried out by State Departments of Agriculture, but approved and partially funded by the Agricultural Marketing Service. The program is administered by a staff group within AMS that reviews and approves appropriate and potentially productive projects proposed by the States.

The marketing service projects funded under the program were divided into four major categories in fiscal year 1974:

- (1) Improved marketability of agricultural products.
- (2) Domestic and international commodity market development.
- (3) Economic and physical efficiency of marketing.
- (4) Improved marketing information.

In fiscal 1974, marketing improvement work was conducted under 127 projects in 43 States.

(b) Payments to States and Possessions

Appropriation Act, 1975	\$1,600,000
Budget Estimate, 1976	--
Decrease in Appropriation	<u>-1,600,000</u>

PROJECT STATEMENT

Project	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
Payments for marketing service work under Section 204(b) of the Agricultural Marketing Act of 1946	\$1,538,932	\$1,600,000	-\$1,600,000 (1)	--
Unobligated balance	61,068	--	--	--
Total Appropriation	1,600,000	1,600,000	-1,600,000	--

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$1,600,000 for elimination of the Payments to States and Possessions Program (FY 1975 base, \$1,600,000):

Need for Decrease: This appropriation has been used to assist States in developing the capability to perform their own agricultural marketing service programs. Federal funds have been provided to States on a temporary basis to pay up to half the costs of pilot-testing special service projects to help solve local marketing problems. The program has been underway since 1948, and during that period of time those State Departments of Agriculture so inclined have been able to build a capability to respond to marketing service needs. State marketing appropriations have gradually built up over the years and the relative importance of the Federal funds under this program has gradually diminished. Since program benefits accrue primarily to individual States, the States are expected to develop and carry out their marketing programs.

STATUS OF PROGRAM

Current Activities: The Federal-State Marketing Improvement Program is administered by a staff office of the Agricultural Marketing Service. Federal payments, authorized by Section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U. S. Department of Agriculture and State Departments of Agriculture, and similar State agencies. These agreements provide for eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

Selected Examples of Recent Progress:

Assistance was provided to farmers, handlers and processors of agricultural crops and livestock to upgrade the quality of their products through greater understanding and wiser utilization of grade standards, and through improved techniques for handling, storing, and packaging with major emphasis being placed on eggs, vegetables and fruit, feeder pigs, grain, broilers and tobacco.

Twenty-three States carried out export marketing projects. Generally such activity was conducted within the State and consisted of assisting firms new to the export field, or firms wishing to expand their international operations and sales.

Distribution of Payments: The distribution of the Federal Payments to States for 1974 are shown in the following table:

Alabama	\$17,907	New York	\$82,315
Arkansas	18,993	North Carolina	96,707
California	44,542	North Dakota	38,499
Colorado	24,000	Ohio	16,581
Connecticut	18,722	Oklahoma	31,067
Florida	97,200	Oregon	30,000
Georgia	26,100	Pennsylvania	28,721
Hawaii	17,829	South Carolina	32,500
Illinois	29,680	South Dakota	12,828
Indiana	64,140	Tennessee	25,100
Iowa	12,500	Texas	40,316
Kansas	59,102	Utah	6,000
Kentucky	43,065	Vermont	19,204
Louisiana	51,940	Virgin Islands	13,000
Maine	43,065	Virginia	77,000
Maryland	28,772	Washington	23,128
Massachusetts	18,326	West Virginia	58,500
Michigan	41,000	Wisconsin	47,981
Minnesota	38,517		
Mississippi	35,000		
Missouri	39,158	Undistributed	61,068
Montana	7,455		
Nebraska	16,414		
New Jersey	59,558	Total	\$1,600,000
New Mexico	6,500		

(c) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1975 (from receipts)	\$1,640,000
Budget Estimate, 1976 (from receipts)	<u>1,640,000</u>
Increase in Appropriation	<u> -- </u>

PROJECT STATEMENT
(On Basis of Available Funds)

Project	: 1974 : Actual	: 1975 : Estimated	: Increase : or : Decrease	: 1976 : Estimated
Licensing dealers and handling complaints	\$1,306,643	\$1,622,000	+\$17,000 (1)	\$1,639,000
Recovery of prior year obligations	-460	--	--	--
Unobligated balance brought forward	-261,421	-493,330	-18,000	-511,330
Unobligated balance carried forward	493,330	511,330	+1,000	512,330
Total Available or Estimate ...	1,538,092	1,640,000	--	1,640,000

EXPLANATION OF PROGRAM

License fees are deposited in this special fund and are used to meet costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 USC 491-497, 499a-499s). The current annual license fee is set at \$100, the maximum permitted by law.

The Acts are intended to assure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by (a) informal agreements between the two parties, (b) formal decisions involving payment of reparation awards, and (c) suspension or revocation of license and/or publication of the facts.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase in obligations of \$17,000 for annualization of pay cost increases effective in FY 1975. This will be financed from unobligated balances available in the fund.

TRANSITION BUDGET

Perishable Agricultural Commodities Act Fund

Transition Budget Estimate \$418,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. These laws are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers and brokers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). In addition, large retailers are subject to the Act, and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principals. Buyers and sellers must live up to the terms of their contracts, and buyers must pay promptly for their purchase. False or misleading statements, misbranding, etc. are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the Perishable Agricultural Commodities Act. When there is an apparent violation of the Act, the Department will communicate with the respondent party, make the necessary investigation, and endeavor to bring about an amicable, informal settlement. Where informal settlement of a dispute cannot be arranged, the complainant is afforded the opportunity to file and pursue a formal complaint under the law. In all proceedings each party has an opportunity to present his side fully. The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department to suspend or revoke the offender's license.

Selected Examples of Recent Progress:

A. Perishable Agricultural Commodities Act

1. Licensing Activities. At the end of Fiscal Year 1974, 16,592 licenses were in effect, a net decline of 286 from 1973. The gradual decline during the recent years has been due to the trend toward mergers and consolidations of large firms.

Activity	Fiscal Year		
	1974	1975(Est.)	1976(Est.)
Licenses renewed	14,599	14,600	14,500
New Licenses issued	1,993	1,700	1,500
Licenses terminated	2,279	1,992	1,800
In effect June 30	16,592	16,300	16,000

2. License Fees. Annual license fees, together with arrearage fees, are deposited into a special fund. All AMS expenses for administration of the Perishable Agricultural Commodities and Produce Agency Acts are paid from this fund. Effective January 1, 1974 the annual license fee was increased to \$100.
3. Informal Reparation Complaints. During Fiscal Year 1974, 14,226 inquiries were received from members of the industry seeking advice concerning disputes. The assistance rendered has enabled traders to avoid many marketing problems which could have resulted in the filing of complaints and increased the Department's workload.

There were 1,623 new reparation cases filed this year, as compared to 1,737 filed last year. Amicable settlements were arranged in 891 cases. These settlements resulted in payments to disputing parties totaling \$6.5 million, the largest amount paid in one year since the PACA was enacted.

4. Formal Reparation Complaints. In 1974, there were 424 decisions and orders issued by the Judicial Officer, as compared with 480 decisions last year. Reparations were awarded in 315 of the decisions amounting to \$1,515,516.

5. Summary of Workload.

Activity	Fiscal Year		
	1974	1975 (Est.)	1976 (Est.)
<u>Actions Completed:</u>			
a. License actions	18,633	18,333	18,033
b. Reparation actions	16,682	17,000	17,200
c. Disciplinary actions	148	160	165
d. Misbranding actions	518	700	950
e. Personal investigations	1,485	1,500	1,550
<u>Reparations:</u>			
Awarded - Formal orders	\$1,515,516	\$1,700,000	\$1,725,000
Payments - Amicable settlements	6,444,184	5,000,000	5,000,000
Total	\$7,959,700	\$6,700,000	\$6,725,000

B. Produce Agency Act

The Produce Agency Act is designed to prevent the destruction or dumping without sufficient cause, of farm produce received in interstate commerce on consignment and to require commission merchants to truly and correctly account for such shipments.

This year seven new complaints were filed and one case was carried over from last year. Three cases were settled on an amicable basis, while three others were closed. At the end of the year, only two cases were pending.

Passenger Motor Vehicles

The 1976 Budget Estimates propose the purchase of 7 replacement motor vehicles. This represents 25 percent of the total of 27 passenger motor vehicles available to the Agricultural Marketing Service.

The 7 replacements in Fiscal Year 1976 are for Marketing Services activities.

The number of passenger motor vehicles estimated to be available for 1976 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and in connection with assistance to farmers in preparing tobacco for market; (3) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators.

Replacement of passenger motor vehicles. Replacement of 7 of 27 vehicles now in operation is proposed. These passenger motor vehicles will be replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that vehicles to be replaced must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1974, is as follows:

Age - Year Model	Age Data		:	Mileage Data		
	Number of Vehicles	Percent of Total		Lifetime Mileage (thous.)	Number of Vehicles	Percent of Total
1969 or older	12	38		80-100	2	7
1970	1	3		60-80	8	25
1971	9	28		40-60	8	25
1972	--	--		20-40	4	12
1973	10	31		Under 20	10	31
1974	--	--				
Total	<u>32</u>	<u>100</u>		Total	<u>32</u>	<u>100</u>

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Appropriation Act, 1975	\$1,019,207,831
Less transfers to:	
Department of Commerce to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service," 84th Congress	-7,750,526
Child Nutrition Programs, Food and Nutrition Service	-705,926,000
Foreign Agricultural Service	-2,117,000
Agricultural Research Service	-15,000,000
Total transfers	-730,793,526
Adjusted base for 1976	288,414,305
Budget Estimate, 1976:	
Annual permanent appropriation	\$1,121,000,000
Less transfers to:	
Department of Commerce	-8,000,000
Child Nutrition Programs	-737,111,000
Foreign Agricultural Service	-2,117,000
Agricultural Research Service	-15,000,000
Total transfers	-762,228,000
Total Budget Estimate, 1976	<u>358,772,000</u>
Increase over adjusted 1975	<u>+70,357,695</u>

Summary of Increases and Decreases
(On basis of adjusted appropriation)

	1975 <u>Estimate</u>	Increase or <u>Decrease</u>	1976 <u>Estimate</u>
Direct purchases	\$195,545,000	-\$16,973,000	\$178,572,000
Financial assistance to States ...	2,000,000	-2,000,000	--
Other (Farina purchases)	400,000	-400,000	--
Nonschool summer food service prog.	50,600,000	-50,600,000	--
Nonschool year-round food service program	39,000,000	-39,000,000	--
Pilot women, infants, and children program	124,154,000	-124,154,000	--
Pilot food certificate program ...	1,000,000	-1,000,000	--
Supplemental food program operating expenses	1,840,000	-1,840,000	--
Cash payments in lieu of commodities	--	+73,003,000	73,003,000
GSA space rental costs	587,000	-118,000	469,000
Annualization of pay cost increase in FY 1975	367,000	+19,000	386,000
Commodity program operating expenses	6,674,000	-492,000	6,182,000
Marketing agreements and orders ..	3,682,000	+48,000	3,730,000
 Total Available	 <u>425,849,000</u>	 <u>-163,507,000</u>	 <u>262,342,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
1. <u>Commo.Prog.Pymts.:</u>				
a. Direct purchases ..	\$272,521,360	\$195,545,000	-\$16,973,000	(1): \$178,572,000 <u>1/</u>
b. Fin.Assis.to States	12,881,150	2,000,000	-2,000,000	(2): --
c. Other (farina)	489,797	400,000	-400,000	(3): --
2. <u>Cash Pymts.to States:</u>				
a. School fd.svc.prog.	431,408,436	--	--	--
b. Nonschool summer				
food service prog.	31,927,625	50,600,000	-50,600,000	(4): --
c. Nonschool year-round:				
food service prog.	4,714,592	39,000,000	-39,000,000	(5): --
3. <u>Supplemental Food</u>				
<u>Program:</u>				
a. Pilot women, infants:				
and children prog.	13,882,306	124,154,000	-124,154,000	(6): --
b. Pilot food certifi-				
cate program	894,444	1,000,000	-1,000,000	(7): --
c. Operating expenses	540,341	1,964,000	-1,964,000	(8): --
4. <u>Cash Payments in Lieu</u>				
<u>of Commodities</u>	--	--	+73,003,000	(9): 73,003,000 <u>1/</u>
5. <u>Commodity Program</u>				
<u>Operating Expenses</u> ..	6,751,535	7,178,000	-507,000	(10): 6,671,000 <u>1/</u>
6. <u>Marketing Agreements</u>				
<u>and Orders</u>	3,145,669	4,008,000	+88,000	(11): 4,096,000
Total Obligations	779,157,255	425,849,000	-163,507,000	262,342,000
Recovery of prior year				
obligations	-710,687	--	--	--
Unobligated balance				
available, start of year:	-262,988,117	-191,004,579	+137,434,695	-53,569,884
Unobligated balance				
transferred from other				
accounts	-12,954	--	--	--
Unobligated balance				
available, end of year	191,004,579	53,569,884	+96,430,000	149,999,884
Total Available or				
Estimate	706,450,076	288,414,305	+70,357,695	358,772,000

1/ Legislation has been proposed which would substitute a comprehensive block grant program in place of these programs. Funds currently budgeted for commodity purchases and cash payments in lieu of commodities and F&NS expenses for commodity distribution (\$3,186,000) would be transferred to the proposed account for allocation to the States.

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), 30 percent of customs receipts collected during the preceding calendar year plus unused balances up to \$300 million are available. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce to encourage the distribution of such products. Additional transfers, primarily for the child nutrition program, have been provided in recent appropriations.

Remaining balances of Section 32 funds are used to encourage domestic consumption of agricultural products. Commodities are purchased for distribution through State distributing agencies to schools, summer camps, disaster victims, needy persons, and institutions eligible to receive such purchases.

Section 32 funds are also being used for:

- A. Commodity program operating expenses which include the administrative costs of purchasing commodities by the Agricultural Marketing Service and the subsequent distribution costs incurred by the Food and Nutrition Service.
- B. Administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities.
- C. Financial assistance to enable certain low income counties to operate a food distribution program, and for direct USDA operation of food distribution programs. This program will be completed during 1975, when the food stamp program is fully operational nationwide and replaces the food distribution program.
- D&E. The food certificate program and the special supplementary food packages program will be completed in 1975 when the food stamp program is available nationwide and participants in these programs can obtain the necessary food from commercial sources using their food stamps.
- F&G. The legislative authorizations for the special cash supplemental food program for women, infants and children (WIC) and the nonschool food program for children expire as of June 30, 1975. The Department is not recommending that these authorities be extended, but rather, that a comprehensive block grant program be initiated to replace these and other child nutrition programs.

The following table summarizes the estimated total funds available for Section 32 activities and the estimated balance carried forward for Fiscal Years 1974, 1975, and 1976.

Item	: 1974	: 1975	: 1976
	: Actual	: Estimated	: Estimated
Appropriation or estimate	:\$931,485,638:	\$1,019,207,831:	\$1,121,000,000
Balance available from prior years	: 262,988,117:	191,004,579:	53,569,884
Recovery of prior year obligations	: 710,687:	--	--
Unobligated balance returned from CCC:	12,954:	--	--
Transfers to:	:	:	:
Child Nutrition Programs, FNS ...	:-199,631,000:	-705,926,000:	-737,111,000
Agricultural Research Service ...	: -15,000,000:	-15,000,000:	-15,000,000
Foreign Agricultural Service	: -3,117,000:	-2,117,000:	-2,117,000
Department of Commerce	: -7,287,562:	-7,750,526:	-8,000,000
Total available after transfers ...	: 970,161,834:	479,418,884:	412,341,884
Obligations	: 779,157,255:	425,849,000:	262,342,000
Unobligated balance carried forward	:	:	:
into subsequent years	: 191,004,579:	53,569,884:	149,999,884

JUSTIFICATION OF INCREASES AND DECREASES

The net decrease of \$163,507,000 in 1976 for activities carried out under this appropriation consists of:

(1)(2)(3) A decrease of \$19,373,000 for commodity program payments consisting of:

- a. A decrease of \$16,973,000 for direct purchases (\$195,545,000 available in 1975). A total of \$178,572,000 is projected for 1976 for direct purchases. It is believed that this amount, and if necessary the \$150 million carryover, will be adequate to meet foreseeable surplus problems. Actual program operations will depend on economic conditions and the need for removal of surpluses from the market. Of the commodities purchased, it is expected that they will be distributed as follows:

Schools	\$172,572,000
Elderly	6,000,000
Total	178,572,000

- b. A decrease of \$2,000,000 for financial assistance to States (\$2,000,000 available in 1975). Funds under this program are allocated to State agencies responsible for distributing commodities. These funds may be used only to initiate, expand, or improve commodity distribution programs. The conversion of counties from the food distribution program to the food stamp program will be completed during FY 1975 and therefore no funds are required for FY 1976.

- c. A decrease of \$400,000 for farina purchases (\$400,000 available in 1975). The Food and Nutrition Service purchased farina for inclusion in the supplemental food packages. For 1976 this program is being terminated.

(4)(5) A decrease of \$89,600,000 for cash payments to States (\$89,600,000 available in 1975). The legislative authority for the nonschool food program expires on June 30, 1975. The Department is not recommending that this authority be extended, but rather, that a comprehensive block grant program be initiated to replace these and other child nutrition programs.

(6)(7)(8) A decrease of \$127,118,000 for supplemental food programs (\$127,118,000 available in 1975) consisting of:

- a. A decrease of \$64,000 for increased pay costs appropriated in 1975.
- b. A decrease of \$60,000 for GSA space rental costs appropriated in 1975.
- c. A decrease of \$125,994,000 in the special cash supplemental food program for women, infants and children (WIC). The legislative authority for this program expires on June 30, 1975. The Department is not recommending that this authority be extended, but rather, that a comprehensive block grant program be initiated to replace this and other child nutrition programs.
- d. A decrease of \$1,000,000 in the pilot food certificate program due to the expansion of the food stamp program into all areas of the nation.

- (9) An increase of \$73,003,000 for cash payments in lieu of commodities.
(No funds budgeted in 1975.)

Need for Increase:

The volume of food available from surplus removal activities is expected to be below the amount required to maintain a level of assistance of 10.50 cents per school lunch as required by P.L. 93-326.

Plan of Work:

This increase will provide cash assistance to schools for purchase of commodities locally.

- (10) A net decrease of \$507,000 for commodity program operating expenses
(\$7,178,000 available in 1975) consisting of:

- a. An increase of \$23,000 for commodity procurement (\$3,462,000
available in 1975) consisting of:

Annualization of pay cost increases
effective in fiscal year 1975 +23,000

- b. A net decrease of \$530,000 for commodity distribution
(\$3,716,000 available in 1975) consisting of:

Annualization of pay cost increases
effective in fiscal year 1975 +20,000

Reduction of GSA space rental costs .. -58,000

Savings resulting from converting
areas from the food distribution
program to the food stamp program .. -492,000

- (11) An increase of \$88,000 for marketing agreements and orders (\$4,008,000
available in 1975) consisting of:

Annualization of pay cost increases
effective in fiscal year 1975 +40,000

Increased dairy referendum cost +48,000

Need for Increase:

Due to increased activity and rising cost funds are required for printing additional pages of hearings.

Plan of Work:

Fewer hearings are planned but they are expected to be of longer duration, thus increasing the total pages recorded. Also, hearings are to be regional in nature, thus requiring more copies for market administrator offices.

TRANSITION BUDGET

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Transition Budget Estimate (Obligations) \$63,699,000

This represents the amount of obligations to be incurred during the transition period. Under the Section 32 authority no further budget authority will be provided for this period. The obligations shown will be financed from the unobligated balance brought forward from FY 1976.

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The estimated obligations for administrative expenses (\$2,699,000) represent one-fourth of the budget estimate for FY 1976 (including \$1,024,000 for marketing agreements and orders). The estimated obligations for commodity purchases (\$61,000,000) are based upon the monthly procurement rates for fiscal year 1976.

STATUS OF PROGRAM

Current Activities:

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) an amount equal to 30% of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities, generally perishable commodities which are in greater supply than will clear markets at reasonable prices to producers. Current activity is in the area of purchases of commodities for distribution through State distribution agencies to schools, summer camps, disaster victims, needy persons and institutions eligible to receive such purchases.

The basic authority provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities. Not more than 25% of total funds available under the Act may be used for any one commodity or product thereof.

P.L. 93-86 authorized for 1974 the use of Section 32 program funds to purchase commodities to maintain programmed levels of assistance to schools, needy persons and other domestic food assistance programs. P.L. 93-326 and P.L. 93-347 extended this authority through 1975.

Section 32 funds are also used for:

- A. Commodity program operating expenses; administrative costs of the Agricultural Marketing Service in acquiring Section 32 commodities, and administrative costs of the Food and Nutrition Service in distributing Section 32 and CCC commodities to eligible domestic outlets.
- B. The administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities and related products.

Selected Examples of Recent Progress:

A. Commodity Program Payments

1. Direct Purchases. Eleven purchase programs provided almost 592 million pounds of twenty-eight different commodities for domestic food assistance programs during fiscal year 1974.

Purchase of poultry products included 44.6 million pounds of canned boned poultry, 18.2 million pounds for distribution to schools and 26.4 million pounds for distribution to needy persons. Also, 33.4 million pounds of whole frozen turkey was purchased for donation to schools. Twelve percent of the turkeys purchased for school lunches was delivered in other than whole carcass form. The turkey was delivered in the form of frozen cooked turkey rolls and ground turkey meat. Schools were required to reimburse the Department for further processing.

Grain programs included purchase of 38.2 million pounds of dry beans, 740 thousand pounds of lentils, 2.4 million pounds of dry peas and 9.7 million pounds of corn syrup purchased for donation to domestic outlets.

TABLE I

Use Made of Section 32 Funds for Program Operations
Fiscal Year 1973 and 1974

Item	Fiscal Year 1973		Fiscal Year 1974	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases:				
Apples, Fresh	---	-\$2,906 <u>2/</u>	---	---
Apple Juice	---	-107,465 <u>2/</u>	---	-\$9,569 <u>2/</u>
Apple Sauce	17,082,900	2,080,749	---	-9,108 <u>2/</u>
Beans, Dry	80,541,357	9,891,135	38,199,610	11,060,025
Corn, Canned	6,316,800	984,872	1,545,600	266,334
Corn Syrup	24,163,800	3,107,056	9,677,250	1,639,909
Cranberry Sauce ...	---	-15,500 <u>2/</u>	30,303,480	4,793,960
Egg Mix	1,433,000	1,802,238	9,540,000	16,254,173
Fruit Cocktail	8,240,000	1,659,872	---	-1,249 <u>2/</u>
Fruit Nectar, Canned ..	---	2,241 <u>1/</u>	---	-44,466 <u>2/</u>
Grape Juice	---	4,403 <u>1/</u>	---	---
Grapefruit Juice	---	---	75,793,600	8,315,732
Grapefruit Sections	---	---	---	-1,120 <u>2/</u>
Green Beans, Canned	781,200	191,849	12,033,200	2,053,264
Green Beans, Frozen	---	---	3,881,250	831,823
Infant Formula	240,000	132,745	180,000	142,149
Lard	5,104,800	1,247,832	5,184,000	1,949,928
Lentils	220,768	35,659	740,080	275,843
Meat, Ground Beef	---	-1,336 <u>2/</u>	68,299,000	67,160,066
Meat, Canned Luncheon ..	23,112,000	14,183,518	32,616,000	24,559,056
Meat, Canned Pork	---	-26,755 <u>2/</u>	7,308,000	5,553,508
Meat, Ground Pork	---	-51,234 <u>2/</u>	---	-18,434 <u>2/</u>
Milk, Evaporated	77,488,325	13,730,077	33,945,240	8,407,387
Milk, Dry Whole	2,904,132	2,095,950	2,310,105	2,155,047
Orange Juice, Froz.Concen..	10,800,000	2,980,079	69,473,000	20,076,426
Orange Juice, Processed ..	75,933,600	8,208,804	15,218,400	2,493,910
Peaches, Canned	36,852,000	5,860,226	---	-14,639 <u>2/</u>
Peanut Butter	48,711,975	16,369,464	36,955,560	14,415,946
Peanut Granules	---	---	739,200	423,903
Pears, Canned	14,736,600	3,044,272	14,373,000	3,267,070
Pears, Fresh	---	-9,033 <u>2/</u>	---	---
Pear Nectar	---	---	6,258,200	810,412
Peas, Canned	7,660,800	1,105,262	604,800	105,706
Peas, Dry	4,908,629	548,117	2,396,421	756,611
Pineapple Juice	---	712,231 <u>1/</u>	---	-36,868 <u>2/</u>
Plums, Purple	---	---	8,455,320	1,507,842
Potatoes, Dehydrated ...	18,600,000	4,301,143	---	8,275 <u>1/</u>
Potatoes, French Fries ..	---	35,965 <u>1/</u>	---	---
Poultry, Canned/Boned ..	72,619,000	56,574,242	44,592,000	44,592,933
Poultry, Cooked/Boned ..	383,000	271,195	---	-2,173 <u>2/</u>
Prunes, Dried	---	100,315 <u>1/</u>	3,991,680	1,141,113
Raisins	---	1,514 <u>1/</u>	---	---
Tomatoes, Canned	43,132,613	6,512,887	23,573,550	4,212,385
Tomato Juice	25,002,062	2,594,533	---	-45,286 <u>2/</u>
Tomato Paste	385,200	78,969	---	---
Turkeys, Frozen	57,050,000	20,532,575	33,390,000	23,476,897
Misc. Adjustments	---	744 <u>1/</u>	---	-3,361 <u>2/</u>
Subtotal	664,404,561	180,768,504	591,577,546	272,521,360
Exports:				
Chickens	4,064,000	533,747	---	---
Lard	56,416,740	581,199	---	---
Financial Assistance	---	16,265,694	---	12,881,150
Other <u>3/</u>	---	339,000	---	489,797
Total Obligations	724,885,301	198,488,144	591,577,546	285,892,307

1/ Transportation costs of prior year programs.

2/ Reduction in prior year obligations.

3/ Farina purchased by Food and Nutrition Service.

Fruit and vegetable purchases totaling 303.2 million pounds were made of canned corn, cranberry sauce, canned green beans, frozen green beans, frozen concentrated orange juice, canned orange juice, peanut butter, peanut granules, canned pears, pear nectar, canned peas, purple plums, dried prunes and canned tomatoes. In general, the purchases cost slightly more in FY 1974 than a year earlier for a slightly smaller quantity of food.

Dairy programs included purchase of 33.9 million pounds of evaporated milk, 180 thousand pounds of infant formula and 2.3 million pounds of dry whole milk for distribution to needy people.

Livestock meat purchases consisted of 68.3 million pounds of ground beef for distribution to schools, 32.6 million pounds of luncheon meat for distribution to needy persons and 7.3 million pounds of pork for distribution to needy persons.

During the year economic conditions shifted from relatively tight red meat supplies, record high livestock prices, and favorable producer profits to excess supplies, relatively low prices, and crippling financial losses for producers.

B. Cash Payments to States

Clause 4a of section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) and the Agriculture-Environmental and Consumer Protection Appropriation Act, 1973, made funds available for use in supplementing child feeding and nutritional programs authorized by law in the National School Lunch and Child Nutrition Acts, as amended, and for direct distribution and other programs designed to provide an adequate diet to needy children and low-income persons.

The States were authorized to use the section 32 funds to expand the school lunch, special assistance, breakfast, nonfood (equipment), State administrative expense, and nonschool food programs.

Beginning in fiscal year 1972, these funds were available to the States on the basis of need as shown by the States' performance in serving meals.

In fiscal year 1974, the total cash payments provided under this program were used in the following areas:

1. For cash grants to provide lunches to school children. \$357,237 was used to help provide States with an average Federal reimbursement of 10.3 cents on a total of 3.99 billion lunches served under section 4 of the National School Lunch Act.
2. For cash grants to provide special assistance in the serving of lunches to needy children. \$427,648,987 was used to assist in the financing of 1,494 million lunches. These funds were used to extend special assistance programs and to assist in providing free or reduced price lunches (section 11) under the National School Lunch Act.
3. For cash grants to provide breakfasts to needy children. Approximately 1,356 thousand needy school children received 225.1 million breakfasts at a cost of \$174,518 to section 32. Special emphasis was made to reach needy children who arrived at school without breakfast, children who traveled long distances to school, and children with working mothers.
4. For cash grants to provide food service equipment. A total of \$1,314,793 was used in 1974. This assistance enables schools to expand or begin participation in the child nutrition programs.

5. For cash grants to provide State administrative expenses. The States used \$1,913,261 in fiscal year 1974 for assistance in administering child feeding programs.
6. For cash grants to provide food service programs for children in service institutions. This program reaches preschool and school-age children during the summer months in settlement houses, neighborhood houses, and recreation centers. It also provides year-round assistance to children in day care centers. \$36,642,217 was available to provide 64 million meals to 1.4 million children in the summer program, and 161.0 million meals to 263.5 thousand children in the year-round program.

C. Supplemental Food Program

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1973, also provided funds for a pilot food certificate program. During 1974, 9,526 mothers and children received \$894,444 in food certificates which could be used at retail outlets to purchase milk and baby cereals. The program operated in Bibb County, Georgia; Cook County Illinois; Brazos County, Texas; and Newport-St. Johnsbury, Vermont.

D. Cash Payments in Lieu of Commodities

Public Law 93-13 authorized for 1973 the payment of cash from section 32 funds. This was the difference between the budgeted commodities to be distributed to school food service programs under section 6 of the National School Lunch Act, section 416 of the Agricultural Act of 1949, and section 32, and the amount of commodities estimated to be delivered in 1973. This temporary authority was made permanent by P.L. 93-150. In FY 1974 the level of commodities distributed to schools exceeded 90% of the initially programmed deliveries; therefore, no cash in lieu of commodities payment was made.

E. Special Supplemental Food Program for Women, Infants and Children (WIC)

Public Law 92-433 authorized the Special Supplemental Food Program for Women, Infants and Children. Cash grants are provided to State Health Departments and approved local health agencies for the purpose of providing specified nutritious food supplements to pregnant and nursing mothers, and infants and children up to four years of age. The program is administered by the Food and Nutrition Service.

As of June 30, 1974, \$14.4 million was obligated to provide assistance to an approximate caseload of 206,000 recipients in 242 project areas.

F. Commodity Program Operating Expenses

1. Procurement and distribution of commodities. The procurement of commodities under section 32 is carried out by the Agricultural Marketing Service. Distribution of commodities (Section 43 and 416-CCC) to eligible domestic outlets is done by the Food and Nutrition Service.

Commodities are shipped at the request of State agencies. The Federal Government pays all costs to central State receiving points. These costs may include processing and packaging, as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies establish, with USDA concurrence, standards for participation and approve eligible recipients. State agencies are usually responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

- a. Needy family program. Participation in food distribution to needy families continued its steady decline as counties transferred to the Food Stamp Program. The peak period occurred in August 1973, when approximately 2.4 million persons received donated foods in 937 geographical areas. The decline accelerated after September with enactment of P.L. 93-86 which mandated phase-out of family food distribution and implementation of the Food Stamp Program after June 30, 1974. At the end of the fiscal year participation had dropped to 1.4 million persons in 387 geographical areas.

Operating expense funds were once again offered to the States. Twenty-seven States, four outlying territories, and three Indian Reservations accepted \$13.8 million which helped them to defray program operating costs. In July 1973, one county--Elmore in Alabama--was still directly operated by USDA; but, by the end of the fiscal year, it had been designated for the Food Stamp Program.

Over 550 million pounds of food valued at about \$189 million were distributed to needy families during the year. The foods distributed in June 1974 and the number of administrative units receiving each are shown below.

Number of Administrative Units (Counties, Cities, Indian Agencies and Outlying Areas) Distributing Specific Foods:

Meat and Poultry	375	Juice	341
Poultry, Boned ...	373	Orange	293
Pork, W/NJ	24	Grapefruit	227
Beef, W/NJ	---	Nectar, Fruit	95
Meat, Canned Luncheon	373	Tomato	40
Egg Mix	366	Apple	52
Vegetables, Canned	360 <u>1/</u>	Milk	341 <u>1/</u>
Beans, Green	217	Instant	302
Tomatoes	176	Evaporated	266 <u>2/</u>
Corn	78	Nonfat, Dry	64 <u>2/</u>
Peas	66	Formula, Infant, Dry	5
Potatoes, Sweet ..	25	Flour	332
Fruits in lieu of Vegetables:		Macaroni	316
Cranberry Sauce ..	88	Prunes, Dried	299
Pears	42	Peanut Butter	296
Fruit Cocktail ...	15	Beans, Dry	289
Rice	358	Corn Meal	278
Butter and Margarine	349	Syrup, Corn	265
Cereal	345	Shortening, Vegetable	241
Oats, Rolled	168	Peas, Dry Split	150
Wheat, Rolled	127	Cheese	125
Farina	57	Grits, Corn	41
Rice, Instant	5	Potatoes, Dehydrated	38
		Raisins	25
		Bulgar	20
		Lentils	19
		Applesauce	10

1/ Number of administrative units distributing one or more commodities within food group. Recipients can receive only one can per person from each group.

2/ Recipients may receive additional units of evaporated and dry milk when available.

TABLE II - Cost in Millions of Dollars of Food
Distribution for Domestic Use - Fiscal Years 1973 and 1974

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1973	1974	1973	1974	1973	1974	1973	1974
Section 32:								
Apples, Fresh	--	--	--	--	--	--	--	--
Apple Juice	--	--	--	--	.6	--	.6	--
Apple Sauce	2.5	--	--	--	--	--	2.5	--
Beans, Dry	2.7	5.8	.1	.1	6.0	8.3	8.8	14.2
Beef, Canned	--	--	--	--	--	--	--	--
Beef, Frozen Ground	--	22.6	--	--	--	--	--	22.6
Corn, Canned	--	--	--	--	1.0	.7	1.0	.7
Corn Syrup	--	.1	--	--	3.4	2.8	3.5	2.9
Cranberries	--	3.6	--	--	--	.9	--	4.5
Egg Mix	.1	.7	.2	.2	13.8	17.0	14.0	17.9
Fruit Cocktail	.2	.3	--	--	.4	.7	.6	1.0
Fruit Nectar, Canned	--	--	--	--	--	.8	--	.8
Grape Juice	--	--	--	--	1.0	--	1.1	--
Grapefruit Juice	--	3.3	--	.1	--	2.6	--	6.0
Grapefruit Sections	--	--	--	--	--	--	--	--
Green Beans, Canned	--	.9	--	--	.8	1.1	.8	2.0
Green Beans, Frozen	--	.9	--	--	--	--	--	.9
Honey	--	--	--	--	--	--	--	--
Lard/Shortening	--	--	--	.1	.3	2.2	.3	2.3
Lentils	--	.1	--	--	.1	.1	.1	.2
Meat, Canned Luncheon	.3	.3	.3	.7	29.7	16.3	30.3	17.3
Milk, Evaporated	--	--	--	--	13.9	10.7	13.9	10.7
Milk, Infant Formula	--	--	--	--	.2	.2	.2	.2
Milk, Dry Whole	--	.5	--	--	1.3	2.4	1.3	2.9
Orange Juice, Frozen	1.6	16.9	.2	.3	--	--	1.8	17.2
Orange Juice, Processed	--	.3	--	--	3.6	6.6	3.6	6.9
Peaches, Canned	6.0	.1	--	--	.5	--	6.5	.1
Peanut Butter	6.1	9.4	1.4	1.5	7.3	6.3	14.7	17.2
Peanut Granules	--	.3	--	--	--	--	--	.3
Pears, Canned	.6	3.5	--	--	1.6	1.5	2.2	5.0
Peas, Canned	--	--	--	--	1.2	.2	1.2	.2
Peas, Dried Split	.1	.3	.1	.2	.3	.8	.5	1.3
Pea Soup Mix	.1	--	--	--	--	--	.1	--
Pineapple Juice	--	--	--	--	2.2	--	2.2	--
Plums, Canned	--	1.5	--	--	--	--	--	1.5
Pork, Canned	1.9	--	--	--	4.4	.1	6.3	.1
Pork, Frozen Ground	2.2	--	--	--	--	--	2.2	--
Potatoes, Dehydrated	.3	--	--	--	5.5	1.3	5.8	1.3
Potatoes, Frozen French Fries	.3	.1	--	--	--	--	.3	.1
Poultry, Canned/Boned	17.1	18.7	.6	.4	44.4	40.5	62.1	59.6
Poultry, Frozen/Boned	.3	--	--	--	--	--	.3	--
Prunes, Dried	--	--	--	--	2.4	.9	2.4	.9
Raisins	--	--	--	--	--	--	--	--
Sweet Potatoes	--	--	--	--	--	--	--	--
Tomatoes, Canned	5.1	3.5	--	--	2.5	.8	7.6	4.3
Tomato Juice	--	--	--	--	2.6	--	2.6	--
Tomato Paste	.1	--	--	--	--	--	.1	--
Turkeys, Frozen	16.5	.4	--	--	--	--	16.5	20.4
Turkey Rolls	1.5	3.5	--	--	--	--	1.5	3.5
Turkey, Frozen Ground	--	.1	--	--	--	--	--	.1
Total, Section 32	65.6	117.7	2.9	3.6	151.0	125.8	219.5	247.1
Section 416:								
Bulgur	.1	.2	--	--	.1	.1	.2	.3
Butter	84.1	58.4	12.5	7.5	27.3	16.0	123.9	81.9
Cheese	.4	--	--	--	12.6	4.2	13.0	4.2
Corn Flour	--	--	--	--	--	--	--	--
Corn Meal	.9	1.5	.2	.4	2.8	3.0	3.9	4.9
Farina	--	--	--	--	.5	.5	.5	.5
Flour	21.4	36.7	4.5	6.5	9.3	8.4	35.2	51.6
Grits, Corn	.1	.2	.1	.1	.6	.3	.8	.6
Macaroni	--	.1	--	--	3.5	3.1	3.5	3.2
Margarine	--	4.1	--	.2	--	.4	--	4.7
Milk, Instant Fortified	1.7	2.0	.1	.3	26.0	23.2	27.8	25.5
Milk, Nonfat Dry	8.4	.5	2.7	.2	1.0	.6	12.1	1.3
Oats, Rolled	.6	.8	.4	.5	2.3	1.7	3.3	3.0
Peanut Butter	.4	--	--	--	1.3	--	1.9	--
Rice	4.7	9.8	--	2.3	9.3	11.6	15.2	23.5
Rice Cereal, Instant	--	--	--	--	.1	.1	.1	.1
Salad Oil	5.0	7.6	.8	.7	--	--	5.8	8.3
Shortening, Vegetable	7.1	7.1	1.8	2.4	6.8	5.3	15.7	19.8
Wheat, Rolled	.2	.4	.1	.1	.2	.2	.4	.7
Total, Section 416	135.1	134.2	24.5	21.2	103.7	78.7	263.3	234.1
Total Section 32 and 416	200.7	251.9	27.4	24.8	254.7	204.5	482.8	481.2

-- = Less than \$50,000

TABLE III - Quantity in Million of Pounds of Food
Distribution for Domestic Use - Fiscal Years 1973 and 1974

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Needy Persons		Total	
	1973	1974	1973	1974	1973	1974	1973	1974
SECTION 32:								
Apples, Fresh	-	-	-	-	-	-	-	-
Apple Juice	-	-	-	-	6.0	.1	6.0	.1
Apple Sauce	19.7	.2	.2	-	-	-	19.9	.2
Beans, Dry	22.5	22.9	.7	3	49.9	32.6	73.1	55.8
Beef, Canned	-	-	-	-	-	-	-	-
Beef, Frozen Ground	-	22.9	-	-	-	-	-	22.9
Corn, Canned	-	-	-	-	6.5	3.5	6.5	3.5
Corn, Syrup	-	.7	-	.2	28.7	17.6	28.7	18.5
Cranberries	.1	22.3	-	.1	-	5.7	.1	28.1
Egg Mix	.1	.5	.2	.1	16.6	11.5	16.9	12.1
Fruit Cocktail	1.2	1.6	.1	-	1.8	3.3	3.0	4.9
Fruit Nectar, Canned	-	-	-	-	.4	6.3	.4	6.3
Grape Juice	-	.1	-	-	6.2	-	6.2	.1
Grapefruit Juice	-	29.1	-	1.0	-	22.5	-	52.6
Grapefruit Sections	-	-	-	-	-	-	-	-
Green Beans, Canned	-	5.3	-	-	5.3	6.4	5.3	11.7
Green Beans, Frozen	-	4.1	-	-	-	-	-	4.1
Honey	-	-	-	-	-	-	-	-
Lard/Shortening	-	-	-	.2	1.1	6.2	1.1	6.4
Lentils	.1	.2	.2	.1	.8	.3	1.1	.6
Meat, Canned Luncheon	.4	.3	.6	.9	52.5	20.6	53.3	21.8
Milk, Evaporated	.1	.2	.1	.1	82.5	45.0	82.7	45.3
Milk, Infant Formula	-	-	-	-	.2	.2	.2	.2
Milk, Dry Whole	-	.6	-	-	1.8	2.7	1.8	3.3
Orange Juice, Frozen	5.8	57.3	.7	1.0	-	.1	6.5	58.4
Orange Juice, Processed	-	2.1	.2	.1	10.4	55.1	30.6	57.3
Peaches, Canned	37.1	.5	-	-	3.2	.1	40.3	.6
Peanut Butter	18.0	24.5	4.0	3.8	21.4	16.5	43.4	44.8
Peanut Granules	-	.5	-	-	-	-	-	.5
Pears, Canned	2.9	15.4	-	.1	7.9	6.6	10.8	22.1
Peas, Canned	-	-	-	-	8.2	.9	8.2	.9
Peas, Dried Split	1.0	1.1	.6	5	3.3	3.1	4.9	4.7
Pea Soup Mix	.2	-	-	-	-	-	.2	-
Pineapple Juice	.1	-	-	-	28.3	.2	28.4	.2
Plums, Canned	-	8.2	-	-	-	-	-	8.2
Pork, Canned	2.8	-	-	-	6.4	.1	9.2	.1
Pork, Frozen Ground	4.1	-	-	-	-	-	4.1	-
Potatoes, Dehydrated	1.4	-	.1	-	25.7	5.8	27.1	5.8
Potatoes, Froz. Fries	1.8	.3	-	-	-	-	1.8	.3
Poultry, Canned/Boned	3.7	19.0	.8	.3	61.4	41.0	85.9	60.3
Poultry, Frozen/Boned	.4	-	-	-	-	-	.4	-
Prunes, Dried	-	-	-	.1	9.9	3.0	9.9	3.1
Raisins	.2	-	-	-	-	-	.2	-
Sweet Potatoes	-	-	-	-	-	-	-	-
Tomatoes, Canned	32.7	19.7	-	1	15.7	4.4	48.5	24.2
Tomato Juice	-	-	-	-	25.3	.3	25.3	.3
Tomato Paste	.4	-	-	-	-	-	.4	-
Turkeys, Frozen	46.1	31.0	-	-	-	-	46.1	31.0
Turkey Rolls	4.2	3.2	-	-	-	-	4.2	3.2
Turkey, Frozen Ground	-	.2	-	-	-	-	-	.2
Total, Section 32	227.1	294.0	8.5	9.0	507.2	321.7	742.8	624.7
Section 416:								
Bulgur	1.1	1.4	.4	.4	1.0	.8	2.6	2.6
Butter	116.8	88.0	17.3	11.3	37.9	24.0	172.0	123.3
Cheese	.6	-	-	-	20.3	4.3	20.9	4.3
Corn Flour	-	.5	-	-	-	-	-	.5
Corn Meal	17.7	18.7	4.1	4.1	55.9	38.2	77.9	61.4
Farina	.1	.1	-	-	3.2	3.2	3.3	3.3
Flour	279.0	315.0	59.4	55.3	121.0	71.9	459.4	442.2
Grits, Corn	1.3	1.5	1.5	1.2	9.1	3.3	11.9	6.0
Macaroni	-	.5	.1	-	25.7	16.2	25.8	16.7
Margarine	-	10.2	-	5	-	.8	-	11.5
Milk, Instant Fortified	3.8	2.8	.3	-	57.9	33.4	62.0	36.7
Milk, Nonfat Dry	26.3	1.8	8.4	-	3.3	1.7	38.0	4.2
Oats, Rolled	8.4	8.2	4.9	4.5	1.4	17.6	44.8	30.3
Peanut Butter	1.2	-	.4	-	3.9	-	5.5	-
Rice	34.2	36.9	8.5	8.8	66.9	44.8	109.6	90.5
Rice Cereal, Instant	-	-	-	-	.2	.2	.2	.2
Salad Oil	25.9	23.1	4.0	2.1	-	-	29.9	25.3
Shortening, Vegetable	36.3	38.3	9.0	7.7	34.9	16.6	80.1	62.6
Wheat Rolled	1.7	2.8	1.0	1.1	1.8	1.7	4.5	5.6
Total, Section 416	554.4	549.8	119.5	98.7	474.4	278.7	1,148.3	927.2
Total, Section 32 and 416	781.5	843.8	128.0	107.7	981.6	600.4	1,891.1	1,551.9

- = Less than \$50,000

- b. Schools. Over 24.0 million children received food worth \$252 million from section 32 and section 416.
- c. Institutions. Approximately 1.3 million people in eligible institutions received food worth \$25 million.
- d. Supplemental food packages. In 1974 foods such as orange juice, evaporated milk, farina, and poultry were distributed to participants. Packages were provided to 28,947 infants, 88,141 children, and 29,108 expectant and new mothers from low-income households in food distribution and food stamp areas. As of June 30, 1974, 50 million pounds of food worth \$15.1 million had been distributed through 152 projects participating in the program.
- e. Disaster feeding. Approximately 486 thousand pounds of donated food valued at \$227 thousand was consumed by 197 thousand persons affected in thirty-two disasters.

G. Marketing Agreements and Orders

Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for supervising adopted marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs. Marketing agreements and orders help to stabilize prices, and benefit producers and consumers by establishing and maintaining orderly marketing conditions. Administration at the local level is financed by assessments upon handlers.

- 1. Milk: Milk Marketing Orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This is done by fixing minimum prices which handlers pay to producers. Such minimum prices are set at levels that reflect supply and demand conditions in the markets and assure consumers an adequate supply of pure and wholesome milk. Almost 66 billion pounds of milk valued at almost \$5.5 billion (minimum price basis) were delivered to the market in 61 Federal market areas in fiscal year 1974. This represented 60 percent of all milk marketed by U.S. dairy farmers.

Significant actions involving Federal Milk Orders during this year included the following:

- a. Amendment of 39 orders to provide uniform classification and pricing of reserve milk. The effective date of the amendment is August 1, 1975.
 - b. A hearing to consider merging the North Texas and 5 other Texas markets.
 - c. A hearing for the Middle Atlantic and New York-New Jersey orders to consider proposals for expansion of both marketing areas.
- 2. Fruits and Vegetables: These orders are established to regulate the quality and quantity of products sold in commercial channels, thereby stabilizing marketing in the public interest. A total of forty-eight marketing agreement and order programs were in effect at the end of fiscal year 1974, covering fresh citrus and deciduous fruits, potatoes, vegetables, tree nuts, peanuts, dried fruits and hops. The value of commodities covered by these programs totaled \$3.2 billion at the farm level.
 - a. The South Texas onion marketing order was amended, to authorize production research. A cooperative project with Texas A&M University to develop better varieties was then initiated.

- b. The marketing order for Utah peaches was terminated on March 29, 1974, after several years of inoperation.
 - c. USDA and the Department of Justice are preparing legal arguments for a Federal court suit related to the Florida tomato marketing order. This program has been challenged by importers of Mexican tomatoes and consumer groups. The court has not yet set a date for a hearing on this issue.
 - d. The Florida celery program withstood legal challenge during 1974. The validity of the program had been upheld in a 1972 U.S. District Court decision. Plaintiff appealed to higher courts but the Fifth Circuit Court of Appeals and the U.S. Supreme Court affirmed the government's position on this program.
3. Tobacco: A marketing agreement and order for Georgia-Florida shade grown cigar leaf continued in effect during fiscal year 1974. The purpose of this order is to improve quality and income to producers by limiting the number of leaves which can be harvested per plant. The limitation for the 1973 crop was 18 leaves. Use of natural leaf for cigar wrapper is declining, as "manufactured or homogenized" wrapper gains an increasing percentage of the cigar output. The limitation on the number of leaves harvested prevents a surplus of inferior qualities, particularly in view of the declining outlet for natural leaf wrapper.
4. Grain: In 1974 a final decision was issued, approving a marketing agreement and order program for ryegrass seed grown in Oregon. Also, a favorable recommended decision was issued on a proposed order for bentgrass seed in Oregon. Assistance is being given to other producer groups interested in developing marketing agreement and order programs related to grain.

H. Potato Research and Promotion

The Potato Research and Promotion Plan provides for a national program of advertising, promotion, research and development to strengthen the demand for potatoes and potato products. The plan is authorized by the Potato Research and Promotion Act (Title 3 of P.L. 91-670). The program completed its second year of operation in June 1974.

The program is being financed by a one cent per hundredweight assessment on potatoes used for human consumption and seed. Income for FY 1974 is estimated to be about \$2.2 million. In accordance with the enabling act, a producer who does not wish to support the program may obtain a refund. It is estimated that the refund for FY 1974 will be about \$265 thousand.

The national program for advertising and promotion was budgeted in 1974 at \$1.5 million. The advertising followed the basic format developed for the previous year, which incorporated advertising in popular magazines and specialty journals plus use of television commercials. The nutritional value of potatoes is emphasized. The public relations program reached many of the key personnel in the communications field who influence dietary habits.

In addition to maintaining an on-going national advertising program, the National Potato Promotion Board completed a national attitude and usage survey of potatoes, sponsored a nutrition seminar in New Hampshire and conducted a merchandising study pointed at improving the retail display of potatoes.

TABLE IV

Activities under the Milk, Fruit, Vegetable, Tree Nut and Grain Agreement and Order Programs During Fiscal Year 1974 and Estimated for 1975

Activity	Fluid Milk Orders		Fruit, Vegetable and Tree Nut Orders		Grain Orders	
	1974	: 1975	1974	: 1975	1974	: 1975
Agreement & Order programs in effect	61	: 56	48	: 49	--	: --
Requests received for new programs	1	: 1	--	: 2	3	: 1
	:		:		:	
<u>Hearings and Petitions:</u>	:		:		:	
Hearings held to consider amendments to existing orders or the issuance of orders in new areas	13	: 15	4	: 8	2	: --
Amendments issued	76 ^{1/}	: 75	2	: 4	--	: --
Suspensions issued	19	: 15	--	: --	--	: --
Petitions received for review of order	4	: 6	--	: --	--	: --
Petitions disposed of during the year	14	: 10	--	: 1	--	: --
Administrator's decisions issued	16	: 18	4	: 5	1	: 1
Secretary's decisions issued	16	: 19	4	: 5	--	: 2
Secretary's referendum orders issued	14	: 16	4	: 8	--	: 2
	:		:		:	
<u>Order Operation and Enforcement:</u>	:		:		:	
Regulatory orders issued	--	: --	272	: 296	--	: --
Investigation of alleged violations	2	: 14	31	: 34	--	: --
Cases referred to the Department of Justice for prosecution	36	: 35	12	: 10	--	: --
Court cases resolved	23	: 25	10	: 10	--	: --
	:		:		:	
<u>Order Management:</u>	:		:		:	
Appointment of administrative committees	--	: --	43	: 50	--	: --
Promulgation of committee rule making	--	: --	8	: 17	--	: --
Budgets approved	62	: 61	48	: 49	--	: --
	:		:		:	

^{1/} 14 docket actions.

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was established by Secretary's Memorandum No. 1613, Supplement 1, of May 8, 1967. The Agency administers the Packers and Stockyards Act of 1921, as amended, as well as the Truth-in-Lending Act and the Fair Credit Reporting Act as these statutes relate to persons and firms subject to the Packers and Stockyards Act. The main objective of the Act is to assist in the maintenance of fair competitive practices in the marketing of livestock, meat and poultry.

The principal purpose of the Packers and Stockyards Administration programs is to maintain fair competition so as to bring to farmers and ranchers the true market value of their livestock and poultry. Consumers and members of the livestock, meat and poultry industries are also protected against unfair business practices which could unduly affect meat and poultry prices. The programs comprise the following two broad areas:

- 1) Livestock Marketing activities are concerned with (a) marketing practices; (b) scales and weighing; (c) rates, services and facilities; and (d) registrations, bonds and reports.
- 2) Packer and Poultry activities are concerned with trade practices in (a) livestock procurement; (b) meat merchandising; and (c) poultry marketing and compliance with other requirements of the Act.

These functions are carried out through a Washington, D. C. office staff of approximately 64, and 13 field stations staffed with approximately 140, located in Atlanta, Georgia; Springfield, Illinois; Denver, Colorado; Fort Worth, Texas; Lawndale, California; Indianapolis, Indiana; Kansas City, Missouri; Memphis, Tennessee; North Brunswick, New Jersey; Portland, Oregon; Omaha, Nebraska, (sub-station in Sioux City, Iowa); St. Paul, Minnesota; and Arlington, Virginia.

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		Available, 1975		1976	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Packers and Stockyards						
Administration.....	\$4,323,037	188	\$4,899,000 ^{a/}	205	\$5,047,000	206

End-of-Year Employment:	1974 <u>Actual</u>	1975 <u>Estimated</u>	1976 <u>Estimated</u>
Permanent full-time.....	183	204	204
Other.....	3	4	4
Total.....	186	208	208

a/ Includes proposed supplemental for increased pay costs of \$154,000.

PACKERS AND STOCKYARDS ADMINISTRATION

Appropriation Act, 1975	\$4,745,000
Budget Estimate, 1976	<u>5,047,000</u>
Increase in Appropriation	+302,000

Adjustments in 1975:

Appropriation Act, 1975	\$4,745,000
1975 Supplemental Appropriation for pay costs	<u>+154,000</u>
Adjusted base for 1976	4,899,000
Budget estimate, 1976	<u>5,047,000</u>
Increase over adjusted 1975	+148,000

SUMMARY OF INCREASES

(On basis of adjusted appropriation)

	<u>1975</u>	<u>Increase</u>	<u>1976</u> <u>Estimate</u>
GSA Space rental costs.....	\$128,000	+\$59,000	\$187,000
Annualization of 1975 program increase.....	77,000	+26,000	103,000
Annualization of the pay cost increase effective in FY 1975.....	154,000	+63,000	217,000
All other.....	4,540,000	- -	4,540,000
Total available.....	<u>4,899,000</u>	<u>+148,000</u>	<u>5,047,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1974	1975 (estimated)	Increase	1976 (estimated)
1. Administration of the Packers and Stockyards Act.....	\$4,032,256	4,899,000	+\$148,000(1)	\$5,047,000
Unobligated balance.....	290,781	- -	- -	- -
Total available or estimate	4,323,037	4,899,000	+148,000	5,047,000
Transfer to GSA.....	+7,613	- -	- -	- -
Proposed supplemental for pay increase costs.....	- -	-154,000	- -	- -
Total, appropriation.....	4,330,650	4,745,000	- -	- -

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration administers the Packers and Stockyards Act (7 U.S.C. 181-229); Truth-in-Lending Act (15 U.S.C. 1601 et seq) with respect to livestock, meat and poultry dealers; and the Fair Credit Reporting Act (15 U.S.C. 1681 et seq). The programs maintain effective competition and fair trade practices in livestock, meat and poultry marketing to assure that farmers and ranchers receive the true market value of their products, and that as patrons of public markets they are provided equal and efficient services and facilities at reasonable rates.

There are 2,041 stockyards posted under the Act. Of these, 2,005 are auction markets and 36 are terminal markets selling at private treaty; 15,181 persons and firms are registered as market agencies and dealers. There are approximately 5,500 packers subject to the Act; of these, 1,755 are required to file annual reports. There are 369 poultry operations subject to the Act; 246 are poultry slaughterers and 123 are poultry dealers.

According to 1969 agricultural census data, livestock was being produced on 1.9 million farms in the United States. Chickens were sold on 151,000 farms and turkeys were sold on 5,425 farms that had total annual sales of \$2,500 or more.

Livestock and poultry transactions subject to the Act total approximately \$31 billion and \$3 billion, respectively, each year. This is about 39 percent of the cash income of U.S. farmers. Over \$34 billion in meat and dressed poultry transactions annually are also subject to regulation.

The principal activities carried out in administering the Act are:

1. Investigation of packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices and conditions.
2. Investigation of livestock procurement methods by packers and dealers to assure that unfair trade practices detrimental to producers and the industry are not in use.
3. Surveillance of marketing methods at public markets to foster and maintain fair and effective competition.
4. Investigation of complaints regarding poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.
5. Carrying out weighing investigations to eliminate false and careless weighing to the maximum extent possible.
6. Investigation of custodial accounts to determine that shippers' proceeds are safeguarded and otherwise handled in conformance with existing regulations.
7. Investigation of financial condition of registrants and others subject to the Act to determine that they are financially sound and capable of meeting their obligations, and requiring bonds of auction operators, commission firms and dealers.
8. A poultry scale testing program and extension of livestock and monorail scale testing efforts to assure accurate scale facilities.
9. Study of services and facilities at public markets to determine that they are adequate.
10. Review of stockyard rates to determine that they are reasonable and commensurate with the services and facilities provided.
11. Investigation and providing for hearings and settlement of reparation complaints for money damages.
12. Registration of dealers and market agencies and posting stockyards.

INCREASES

(1) An increase of \$148,000 for Administration of the Packers and Stockyards Act consisting of:

(a) An increase of \$63,000 for annualization of pay cost increases effective in FY 1975.

(b) An increase of \$59,000 for space rental costs pursuant to P.L. 92-313.

Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 per cent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100% funding for the estimated billings provided by the General Services Administration.

(c) An increase of \$26,000 to annualize the 1975 appropriation increase for Livestock Marketing.

The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved an increase for the livestock marketing program, but reduced the 1975 funding by one-fourth. In FY 1976, full-year funding will be required; therefore, we are requesting this increase to annualize the level approved in 1975.

PACKERS AND STOCKYARDS ADMINISTRATION
Work Activities and Budget Outlays, F.Y. 1974

Work Activity	Investigations and Audits		Negotiated Settlements	Formal Actions	Outlays		Measurable Returns to Producers ^{1/}
	Field	Mail/Phone			Manyears	Dollars	
PACKER AND POULTRY							
Packers required to file annual reports . .							1,755
Packer annual reports reviewed							1,419
Livestock Procurement	232	140	81	2		\$ 337,726	\$ 447,768
Meat Merchandising	152	119	51	17	15.45	252,527	345,691
Poultry Marketing	69	43	79	6	11.57	109,704	112,495
LIVESTOCK MARKETING							
<u>Marketing Practices</u>							
No. of market reviews completed	961	651	427	90	39.98	852,773	2,200,431
Formal reparation awards				43			274,376
Rates, Services and Facilities	122	163	4	4	13.16	278,963	1,058
Adjustments in proposed rate increases . .	586	964	182	62	41.38	627,435	7,838,391
<u>Registrations, Bonds and Reports</u>							
Yards posted							44,415
Market agencies and dealers registered . .							
Annual reports reviewed (stockyards, market agencies, dealers)							
Registration and bonding actions completed							
Recoveries on bonds	609	47	3	7	16.10	379,240	541,124
<u>Scales and Weighing</u>							
Scale test reports reviewed							86
<u>Administrative Activities</u>							
Annual Leave					13.51	207,353	
Other Leave					15.86	303,031	
Indirect Salaries and Expenses ^{2/}					14.77	271,597	
TOTALS	2,731	2,127	827	232	1.33	330,279	\$11,805,835

^{1/}Includes only benefits resulting from awards, payments or savings from specific rate, contract, bond, reparation or trade practice actions undertaken by the Agency. It also includes settlements between packers.

^{2/}Includes salaries for EEO, Civil Rights, Truth-in-Lending, Freedom of Information, etc. as well as expenses such as FTS, penalty mail, salary processing, etc.

TRANSITION BUDGET

Packers and Stockyards Administration

Transition Budget Estimate \$1,276,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The requested funds represent one-fourth of the budget estimate for fiscal year 1976 adjusted for one additional day of operations in the transition period.



STATUS OF PROGRAM

Current Activities: The Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181-229), is designed to assure free and open competition, and fair trade practices in the marketing of livestock, live poultry, meat and dressed poultry. The major objectives of the Act are to protect producers and consumers against unfair business practices in the marketing of livestock, meat and poultry, and members of the livestock marketing and meat and poultry industries against unfair, deceptive, discriminatory and monopolistic practices of competitors.

These industries are continually changing in marketing structure including concentration of buying power, new merchandising and pricing practices, and new procurement methods. These activities are investigated and their economic effect upon competitive conditions in the livestock, poultry and meat industries are evaluated to determine their compliance with the Act.

Investigations are conducted to determine that packers' livestock procurement practices, meat merchandising methods, and chainstore buying practices do not involve proscribed malpractices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations is determined to guard against loss to persons and firms dealing with them. When violations are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, livestock market agencies, and dealers are investigated and audited to assure that their business practices are fair and in free open competition; that they are financially sound; and that adequate services and facilities are furnished by stockyards and market agencies at reasonable and nondiscriminatory rates and charges.

To assure accurate weights, the Department also supervises the testing, maintenance, and operations of scales used in transactions subject to the Act. The Department conducts a checkweighing program to determine if the scales are being used honestly. This involves reweighing livestock after it has been weighed at a market or selling preweighed livestock to a packer or dealer.

The law also provides for the Department to investigate claims for money damages and to issue a money award to anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

Selected Examples of Recent Progress:

1. Complaints and Formal Cases: The Agency received 3,062 complaints during fiscal year 1974. An aggregate amount of \$2,934,721 was paid to 345 complainants in informal settlements and \$247,376 was awarded to complainants in 17 formal reparation cases. Formal actions were initiated in 232 cases. At the end of the year 174 formal cases were pending. Two hundred thirty-five formal cases (reparations, civil, criminal and administrative) were completed.

2. Investigations and Audits: The Agency conducted 4,858 investigations and audits in fiscal year 1974. Field investigations and audits numbered 2,731. In addition, 2,127 investigations were conducted by mail and telephone.

3. Federal-State Relations: In recent years the Administration has developed an effective cooperative program with the States. Under this program the States have assisted the Agency in carrying out such activities as scale testing, checkweighing, and licensing and bonding. The Administration, as of June 30, 1974, had 60 Federal-State agreements with 62 agencies in 47 States. In the last and current fiscal years, the Agency has assisted several States in implementing acts or amendments to existing laws relating to licensing, bonding and financial responsibility.

4. Financial Protection Program: The Agency continued to give close attention to the financial condition of registrants. Fifty administrative proceedings involved insolvency, improper handling of custodial accounts, or failure to pay for livestock. A review of annual reports showed 326 registrants had inadequate working capital totaling more than \$13,361,247. The Agency's program directed toward voluntary compliance resulted in additions of working capital amounting to \$11,622,045. The Administration maintained a vigorous program to insure the integrity of custodial accounts. The special report procedure continued to be an important tool in the custodial account program. During the year 2,088 of these reports were reviewed with \$3,617,772 added to the accounts to assure payment to livestock sellers.

During the year the Agency processed 419 claims amounting to \$7,128,169 against the bonds of 43 registrants. The claims against 12 of the registrants were resolved with payment of \$139,266. In addition 442 claimants collected \$401,858 during the fiscal year on claims filed prior to July 1, 1973. At the close of the fiscal year there were claims pending against the bond of 64 registrants.

The Agency reviewed and processed 4,781 new surety bonds filed by livestock market agencies and dealers. These new bonds totaled over \$107,624,000 in coverage. A total of 1,558 riders to be attached to registrants' bonds and trust fund agreements were also reviewed and recorded.

During the year 5,608 requests from surety companies, registrants and trustees were received for the termination of registrants' bonds. As a result, a total of 5,608 bonds providing \$116,800,000 coverage were terminated and more than 19,000 letters on bond and trust fund agreement terminations were issued to sureties, registrants, area offices and trustees.

5. Livestock Marketing Activities: Continued emphasis was given to investigating and seeking correction of fraudulent practices in the sale of feeder cattle. Cases involving sale of cattle to feedlot operators on the basis of false weights and prices were investigated and corrective action was obtained. For example, (1) five Texas dealers were charged with buying each others' cattle to obtain hidden dealer profits in filling purchase orders for principals; (2) an Illinois dealer firm was charged with falsifying weights and prices of feeder cattle purportedly sold on the basis of the dealer's purchase weights; (3) a cooperative buying agency in the southwest purporting to act as a buying agent was also taking hidden dealer profits.

Industry complaints resulted in many formal actions to correct various unfair practices, for example: (1) a Texas auction market was financing several dealers; (2) a cooperative market agency in Wisconsin was changing weights and prices in accounting to buyers and took hidden profits in addition to commissions; (3) an auction market in Kansas was discriminating as to consignors by giving free trucking to some and guaranteeing of prices to solicit consignments; (4) two markets in Missouri allowed their auctioneers to purchase consigned livestock; and (5) a Kentucky market was financing its dealer purchases from the custodial account.

A settlement was accomplished in an administrative action involving a large volume hog order buyer at one of the principal terminal markets. The buyer had been charged with boycotting commission firms, failing to compete with other buyers and altering prices on scale tickets on hogs bought for its customers.

Commodity futures speculating resulted in heavy losses and brought a failure to pay for livestock charge against an Iowa firm for some \$625,000, and an Illinois dealer also lost heavily in the futures market and failed to pay for some \$3,200,000 for cattle resulting in formal action in each case.

The auction market review program was continued in 23 States. Surveys of 286 markets were conducted. These surveys are one-day reviews of the business and operating practices of the firms to determine their compliance with the Act. The firms are generally put on notice of any illegal practices found.

6. Analysis of Industry Organization and Practices: The Agency's Industry Analysis Staff continued its appraisal and review of the economic significance of changing market structures and the economic effects of various forms of market behavior and trade practices in the livestock, meat and poultry industries.

Review of procurement practices by meat packers indicates significant changes in market channels and pricing methods. Decreasing importance of terminal markets is continuing. Direct sales to packers are more important for fed steers and heifers than they are for hogs. Important differences were noted among major regions of the country in market channels for slaughter livestock. Grade and weight transactions are quite common in cattle (23 percent of total purchases, compared with only about 7 percent for calves, 5 percent for hogs, and 8 percent for sheep and lambs). Grade and weight outlets are not generally available to producers in many areas--especially for hog producers outside the West North Central region. About 79 percent of total grade and weight purchases of hogs are in the West North Central region. About 38 percent comes from one State--Iowa.

During the year, market concentration on a nationwide basis of the largest slaughtering firms was reviewed. Since the passage of the Packers and Stockyards Act in 1921, the percentages of U.S. slaughter accounted for by the four largest firms have declined from 49 to about 22 percent for cattle, and from 44 to about 32 percent for hogs. For sheep, however, concentration ratios during the period have not declined as much, from 62 to 53 percent.

The relevant market for farmers or feeders selling livestock is localized even though the wholesale market for meat is a regional or even a nationwide market. A review of State-level markets and submarkets within a State revealed concentrated procurement markets for lambs, hogs and for fed cattle in many important producing States and nearly all other areas of the country.

The leading beef slaughterer in nine of the ten major beef States had one-fourth or more of the total slaughter. In the top five beef States the leading four firms had over half of the slaughter. The market was even more concentrated in some other leading States and generally dominated by four firms within smaller beef States.

For the ten leading hog slaughter States, the four-firm concentration ratio ranged from 47 percent up to 100 percent. In seven of these ten States, the hog procurement was very highly concentrated (four-firm ratio of over 75 percent).

The situation is even worse in lamb procurement. Among four of the eight largest sheep States, the ranking buyer bought more than one-half of the lambs. Generally, four firms did all the lamb buying at the local level. The lowest four-firm concentration level was in California where the four leading buyers still purchased about three-fourths of the lambs.

7. Packer and Poultry Activities: With sales exceeding \$27 billion, the meat packing industry continues to be one of the largest and most important in the United States. Changes in livestock feeding methods have triggered not only relocation of slaughtering plants, but new economic structures and innovative marketing practices. In this period of dynamic change, it is necessary for the agency to implement its programs to insure that such changes do not erode the free and open competition that is necessary to protect all interests at all levels in the industry. The agency's program continues to be based primarily on complaints generated by these new concepts and practices in pricing and marketing which are emerging.

Regulation 201.70a became effective on July 1, 1974, which prevents meat packers from controlling custom feedlots. Custom feedlots are the dominant market place for fed livestock today. A complaint has been issued against a meat packer, feedlot and market agency which will be the first case issued under the provisions of regulation 201.70a. Investigations are being conducted of large packer and feedlot operations in the States of Kansas and Colorado which we anticipate will result in complaints being issued concerning regulation 201.70a.

Several meat packers who are the largest beef slaughterers in the Nation are being investigated concerning a restriction of competition in their procurement of cattle in the midwest and southwest areas of the United States. It appears that these meat packers have engaged in concerted action and refuse to bid livestock feeders on the basis of live weight and insist on bidding on a basis of grade and weight with the price to be determined on the "yellow sheet" on the date of delivery.

The marketing of livestock on a grade and weight basis continues to be an important area of work for the agency. An investigation is being conducted of a meat packer in the State of Colorado involving weight manipulations in excess of \$500,000 for a one-year period. It is anticipated that a complaint will be issued against this firm.

A program has been developed to implement the advertising and promotion policy statement which was adopted during the past fiscal year. This has consisted primarily of an educational program by our field offices through contacts with the major packers engaging in cooperative advertising. Several investigations have resulted in formal actions and one cease and desist order was entered against a packer for failing to comply with the guides.

The practice of bait-and-switch advertising continues to be a problem in the meat industry. The agency has investigated numerous complaints concerning this practice and has assisted State and county agencies in many others.

As a result of a complaint, an investigation was made of a major packer for alleged price discrimination in the sale of processed meats. The investigation report was referred to the Office of the General Counsel recommending formal action against this firm. A complaint was issued against this firm for engaging in price discrimination in the sale of processed meats in the Washington, D.C.-Baltimore Metropolitan area.

As a result of an investigation, formal action was initiated against one of the largest packers in the United States and an individual who owned a large dealer firm on a major terminal market who also was Chairman of the Board and chief executive officer of the packing company. In addition to this conflict of interest, the respondents were charged with manipulating prices on which dressed carcasses were sold and supplying hogs to competitor packers. This case was settled on a consent order basis.

Formal actions have been initiated against a number of packers for alleged commercial bribery payments to meat buyers of food chains. Two cases have been settled on a consent order basis. Several other investigations of this practice were conducted during the year and files have been referred to the Office of the General Counsel requesting formal action. The agency continues to work closely with a number of other governmental agencies on this practice and several additional investigations are being conducted at the present time.

As a result of complaints received, an investigation is being conducted of a major packer assigning an employee to a chainstore buying office to assist the chain in the procurement and merchandising of meat and meat food products. Evidence developed indicates that this arrangement was concealed in the records of the packers

and chains, and resulted in falsification of records. It is anticipated that the agency will recommend formal action against the packer for engaging in this practice.

The agency requested special reports from most of the major slaughterers in the United States concerning purchases and sales of carcasses to other slaughterers. At the present time we are in the process of analyzing this information to determine if there are indications of unfair practices and illegal arrangements between competitors. This analysis will probably provide leads for several investigations which may involve violations of the P&S Act.

The Agency's activities in poultry have continued. Complaints were received involving boycotting of broiler growers by integrated poultry firms, unfair weighing practices, breach of contract, price discrimination, and failure to pay promptly for live poultry purchased. There is presently pending a formal action against a poultry firm in which it is alleged that a broiler grower was boycotted because of his interest and activities in a broiler grower association.

The Agency is continuing its poultry regulations compliance program in an effort to correct any discrepancies noted in the firms' operations with respect to grow-out contracts, accounting, scales and weighing and payment problems on an informal basis. This program is proving successful in assuring full and complete information to the poultry grower in connection with his dealings with the poultry integrator and has resulted in a reduction of the number of complaints received from the poultry growers.

8. Registration Actions: As of July 1, 1973, there were 4,430 persons and firms registered as market agencies and 11,015 registered as dealers under the Act. During the fiscal year ending June 30, 1974, the Registrations, Bonds, and Reports Branch received, reviewed and processed 780 new market agency and 814 dealer registrations. The Branch also rendered inactive the registrations of 810 market agencies and 1,048 dealers. At the close of the year there were 4,400 market agency and 10,781 dealer registrations in effect. A total of 15,181 persons and firms are currently registered.

9. Scales and Weighing: The livestock scale testing program continued to show satisfactory progress. This year 12,054 tests were conducted on 5,223 scales as compared to 11,825 tests on 5,276 scales the previous year. The percentage of scales inaccurate in fiscal year 1974 was 19.8 as compared to 18.9 in 1973.

All of the 434 monorail scales used in purchasing livestock on a grade and weight basis were tested in 1974. One hundred thirty-five scales, or 31.1 percent, were inaccurate this year as compared with 168 scales or 36.8 percent last year.

At present 44 of the monorail scales are installed in systems so that the livestock carcasses are weighed while in motion. Since in many instances these scales weigh as many as 8,000 hog carcasses a day, a consistent error of a pound or more can be extremely costly to either the meat packer or the livestock producer.

This year 245 vehicle scales used for weighing live poultry or 98.0 percent of the scales owned or controlled by subject firms were tested. In addition, 63 percent of the 100 vehicle scales not owned or controlled by subject firms but used for weighing live poultry were also tested; 77 percent of the vehicle scales owned by subject firms were tested twice as required by the regulations.

The program of seeking to reduce the percentage of scales found upon test to be inaccurate was continued. Since this program was implemented, the agency has reduced the number of problem livestock scales from 488 in fiscal year 1972 to 240 at the end of fiscal 1974. During the same period of time, the number of problem monorail scales was reduced from 118 to 60. These "problem scales" result in inaccurate weighing of livestock and meat.

A livestock checkweighing program is routinely conducted on a spot check basis to determine if livestock is accurately weighed. In fiscal year 1974, checkweighing and direct sales weighing investigations were conducted at 372 markets as compared with 315 markets the previous year. Inaccurate weighing practices were found at 86 markets or 23.1 percent of the markets checked. In fiscal year 1973, inaccurate weighing was found at 66 markets or 20.9 percent. Four administrative complaints were issued during the year charging false weighing practices and seven decisions and orders issued by the Judicial Officer. In all instances the respondents were ordered to cease and desist from the false weighing practices alleged and their registrations were suspended for a substantial period of time.

10. Rates, Services, and Facilities: Proposed rate increases from 30 central markets, 39 market agency groups and 406 auction markets were processed. Direct savings to shippers resulted from disapproval of proposed increases amounting to \$7,838,391 on an annual basis. A total of 1,419 new tariffs were analyzed.

Four proposed increases in rates were suspended during the year. A hearing to determine the reasonable rates for an auction market was held.

Protection of the environment has required stockyard operators to evaluate operational and design procedures to determine methods to meet the standards of State and Federal agencies. The Rates, Services, and Facilities Branch has consulted and assisted several market operators in developing plans to comply with waste treatment requirements.

Investigations of livestock markets to determine adequacy of services and facilities were made at 28 markets. Recommendations for necessary improvements to services and facilities were made to the market operators. It is estimated that construction savings of \$200,000 and reduction of \$130,000 in annual operating expenses would result if the suggestions are followed.

11. Jurisdictional Activities under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1970	1971	1972	1973	1974
Yards posted	2,207	2,105	2,018	2,036	2,041
Market agencies and dealers registered	15,599	14,985	15,167	15,445	15,181
Packers (est.).....	3,200	2,206*	2,086*	1,972*	1,755*

*Includes only packers required to file annual reports.

12. Complaints Investigated and Formal Proceedings Under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1970	1971	1972	1973	1974
Complaints received	6,209	6,709	2,652*	3,047*	3,062*
Investigations and audits.....	7,715	7,508	5,698	5,845	4,858
Cases pending start of year.....	150	140	174	149	176
New and reopened cases.....	217	265	237	257	233
Cases disposed of..	240	233	258	223	235
Cases pending end of year.....	127	174	153	183	174

*Only significant complaints recorded and reported.

The following is a geographic breakdown of obligations and man-years by location:

	1975 <u>Estimated Available</u>	
	<u>Amount</u>	<u>Man-Years</u>
California	\$233,200	10
Colorado	199,800	10
District of Columbia	2,035,200	64
Georgia	232,700	11
Illinois	231,100	12
Indiana	214,900	11
Minnesota	213,900	11
Missouri	255,300	12
Nebraska	291,300	16
New Jersey	185,800	8
Oregon	197,400	8
Tennessee	208,600	10
Texas	235,200	12
Virginia	164,600	10
Total, P&SA	4,899,000	205

FARMER COOPERATIVE SERVICE

Purpose Statement

The Secretary of Agriculture established Farmer Cooperative Service (FCS) in December 1953, after Congress, in the Farm Credit Act (Public Law 202, August 6, 1953), transferred its functions from Farm Credit Administration to the Secretary of Agriculture.

The Secretary has assigned to the Service (1) functions under the Cooperative Marketing Act of 1926 (7 U.S.C. 451-457), and (2) functions that relate to the economic and marketing aspects of farmer cooperatives under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

Farmer Cooperative Service's fundamental purpose is to help farmers help themselves.

FCS conducts studies to support cooperatives that market farm products, purchase production supplies, and perform related business services. The Agency provides technical assistance and research to improve cooperative performance.

Technical assistance is given on organizing new cooperatives, merits of merging cooperatives, changing business structure and developing strategies for growth.

Applied research is conducted to give farmers relevant and expert assistance pertaining to their cooperatives. Studies concentrate on financial, organizational, legal, social, and economic aspects of cooperative activity in U. S. agriculture.

FCS efforts center on providing rapid response and leadership to help build more effective cooperative operations in the changing economic environment in which the family farmer operates.

The Service is headquartered in Washington, D. C., and has no field offices.

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		Available, 1975		1976	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Farmer Cooperative Service.....	\$2,229,200:	77	\$2,428,000:	89	\$2,493,000:	89
<u>Obligations under other</u>						
<u>USDA appropriations:</u>						
Economic Research Service:						
Research in the area						
of pricing.....	10,500:	- -	- -	- -	- -	- -
Study changes in the						
marketing system for						
agricultural products.....	2,000:	- -	- -	- -	- -	- -
Total, Other USDA						
Appropriations.....	12,500:	- -	- -	- -	- -	- -
Total, Agriculture						
Appropriations.....	2,241,700:	77	2,428,000:	89	2,493,000:	89
<u>Other Federal Funds.....</u>	88,288:	2	150,000:	3	125,000:	3
<u>Non-Federal Funds.....</u>	46,424:	1	75,000:	2	50,000:	1
<u>Total, Farmer Cooperative</u>						
Service.....	2,376,412:	80	2,653,000:	94	2,668,000:	93

<u>1974</u>	<u>1975</u>	<u>1976</u>
Actual	Estimated	Estimated

End-of-year Employment:

Permanent full-time.....	80	88	88		88
Other.....	2	6	6		6
Total.....	<u>82</u>	<u>94</u>	<u>94</u>		<u>94</u>

FARMER COOPERATIVE SERVICE

Appropriation Act, 1975	\$2,344,000
Budget Estimate, 1976	2,493,000
Increase in Appropriation	+149,000

Adjustments in 1975:

Appropriation Act, 1975	\$2,344,000	
1975 Supplemental Appropriation for pay costs	+84,000	
Adjusted base for 1976		2,428,000
Budget estimate, 1976		2,493,000
Increase over adjusted 1975		+65,000

SUMMARY OF INCREASES

(On basis of adjusted appropriation)

	<u>1975</u>	<u>Increases</u>	<u>1976</u> <u>Estimate</u>
GSA space rental costs	\$88,000	+\$23,000	\$111,000
Annualization of the pay cost			
increase effective in FY 1975 ...	84,000	+30,000	114,000
Health benefits	16,000	+8,000	24,000
Postal costs	34,000	+4,000	38,000
All other	2,206,000	- -	2,206,000
Total available	<u>2,428,000</u>	<u>+65,000</u>	<u>2,493,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1974	1975 (estimated)	Increase	1976 (estimated)
1. Research and technical assistance for agricultural cooperatives	\$2,208,811	\$2,428,000	+\$219,189	\$2,493,000
Unobligated balance	20,389	- -	- -	- -
Total available or estimate	<u>2,229,200</u>	<u>2,428,000</u>	<u>+65,000</u>	<u>2,493,000</u>
Transfer from OMS for Information Activities	-133,200	- -	- -	- -
Proposed Supplemental for pay increase costs	- -	-84,000	-84,000	- -
Total, appropriation	<u>2,096,000</u>	<u>2,344,000</u>	<u>+248,000</u>	<u>2,493,000</u>

EXPLANATION OF PROGRAM

Farmer Cooperative Service conducts studies relating to cooperatives engaged in the marketing of farm products, purchasing of production supplies and supplying related business services. The Agency program is directed toward providing technical assistance to cooperatives and research to improve cooperative performance.

Technical assistance is provided in response to problems that may come to FCS from farmers directly or through the management of boards of directors of cooperatives composed of hundreds and in some instances thousands of farmers. Help is given on the formation of new cooperatives, the merits of merging cooperative organizations, changes in business organizations and future growth or development, and the development of more viable relationships between cooperatives and other businesses and institutions. The full range of organization and management problems confronting

cooperatives is covered by the FCS technical assistance program.

Applied research is conducted to give farmers relevant and expert assistance pertaining to their cooperatives. Efforts are made to identify major adjustment problems facing cooperatives and assemble the research needed to address them. Studies concentrate on financial, organizational, legal, social, and economic aspects of cooperative activity.

Statistical data are collected to detect changes in structure, operations, and growth trends. Data help identify and support applied research and technical assistance activities.

The Agency serves as a central storehouse of data about farmer cooperatives in the United States. This information is communicated to the farmer or member through a variety of publications.

FCS efforts center on providing immediate response and leadership for more effective and efficient cooperative operations in the changing economic environment in which the family farmer operates.

In fiscal year 1976, FCS plans to adjust its resources to emphasize work on the following new programs: (1) coordination in the pork industry, (2) grain exports, (3) increasing efficiency of local feed, grain, and farm supply cooperatives, and (4) developing competitive exchange systems for cooperatives.

Types of Projects:

Technical assistance studies in:

- Improving Organizational Structures and Marketing Systems
- Feasibility of Economic Integration
- Improving Cooperative Operations
- Using Cooperatives in Rural Development
- Cooperative Programs for Acquiring Farm Inputs
- Agricultural Bargaining

Research studies in:

- Identification of the Appropriate Role and Scope of Cooperative activity
- Member Education and Involvement
- Improving the pricing system by using cooperatives
- Financing Cooperatives
- Role of member commitment in cooperatives success
- Impact of tax law changes on cooperatives
- Coordination in the Pork Industry
- Coordinated Transportation and Distribution System for Cooperatives

JUSTIFICATION OF INCREASES

- (1) An increase of \$65,000 for research and technical assistance of agricultural cooperatives consisting of:
 - (a) An increase of \$23,000 for GSA space rental costs pursuant to P.L. 92-313.

Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100 percent funding for the estimated billings provided by the General Services Administration.
 - (b) An increase of \$30,000 for annualization of pay increases effective in FY 1975.
 - (c) An increase of \$12,000 for postal costs and health benefits (\$50,000 available in 1975).

An additional \$12,000 is requested for FY 1976 for postal costs and health benefits. This request consists of \$4,000 to meet mandatory postal rate increases effective March 2, 1974 and \$8,000 for increased health benefits costs pursuant to P.L. 93-246. The total FCS FY 1975 postal costs of \$34,000 reflects an absorption of \$8,000 increase over FY 1973.

TRANSITION BUDGET

Farmer Cooperative Service

Transition Budget Estimate..... \$623,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

STATUS OF PROGRAM

Family farmers use the cooperative form of business as extensions of their farm enterprises. Through cooperatives, farmers jointly purchase production supplies, process and market products, and obtain related services. By working together in cooperatives, farmers are able to reduce costs and obtain greater returns at the market place. Thus, they are able to provide Americans with the world's most plentiful, highest quality, and least costly food and fiber supplies.

Farmer Cooperative Service--through mission-oriented research and technical assistance programs--advises farmers, co-op officials, and other rural people on how to improve or expand existing cooperatives, and, when needed, to develop new cooperatives.

FCS is prepared to work with the farmers who use the latest modern techniques and management skills or those with limited resources and management skills. The Agency is prepared to commit one specialist or a substantial team to projects. It may conduct a project by itself or work with other State and Federal agencies, universities, or with one or a group of cooperatives. Because of its versatility and flexibility, the Agency serves as the national focal point of activity involving farmer cooperatives.

Current Activities:

An improved grain marketing system for producers is receiving much attention in Farmer Cooperative Service. The recent and projected importance of grain exports to U.S. grain producers has resulted in Farmer Cooperative Service initiating a detailed study of how producers through their cooperatives may more adequately address both the domestic and export markets. Farmer cooperatives at the local level handle approximately 40 percent of off-farm grain sales. Regional grain cooperatives handle less than 20 percent of these sales and cooperatives in total, export 7 percent of total U.S. grain exports. A team of agency specialists are making a detailed study of the feasibility of cooperatives addressing the export market to improve producers' position and maintain a competitive structure in grain exports. Various phases of this study include developing more efficient local assembly, more closely coordinating local and regional grain sales, and determining how best cooperatives might develop an export sales program. At the same time, a study is underway investigating the possibility for strengthening producer commitments to their local cooperatives and what additional advantages cooperatives might be able to make from additional producer commitments through marketing agreements. Through increased coordination and direct movement of grain from farms to terminals producers have the potential of saving millions of dollars annually by reduced losses and improved handling.

Marketing adjustments by cooperatives have been important this past year. Among the more important efforts in which FCS has participated are assisting in a restructuring of dairy cooperatives in the Northeast. Two major cooperatives joined together to form a common marketing agency. This larger organizational base has permitted major cost reduction in farm to plant hauling (estimated savings in excess of \$400,000) and in more efficient utilization of plant facilities.

Another major adjustment is establishing soybean processing plants near the meal consumption centers rather than ship the meal. FCS assisted a group of poultry producers in Mississippi in evaluating the potential of a soybean processing plant. The focus of this group was on a reliable, high quality source of meal. The emphasis on soybeans as a source of protein also has encouraged expanded soybean processing capacity in the major production area. FCS is assisting cooperative soybean processors in evaluating their meal distribution pattern as a basis for adjusting to the expanded production. This work will involve pricing policies, transportation costs as well as distribution patterns and processing costs.

FCS has also made a study of small farm supply regional cooperatives adjustment from 1961 to 1971. We found the average volume has increased about 40 percent. There have been major changes in product mix; among the more important are increases in feed and miscellaneous supply volume and a decrease in petroleum sales. The major adjustment, however, was a decrease from 135 small regionals in 1961 to 113 in 1971.

Increased efficiency through integration has long been espoused by economists and practiced by many industrial firms. Why not increased efficiency by producers through cooperative efforts to coordinate various phases of an industry? Producer cooperatives are in all phases of the pork and beef industries. Presently, Farmer Cooperative Service is studying ways pork producers may increase efficiency and control by coordinating through cooperative organization various phases of the pork industry, such as farrowing, finishing, processing and distributing pork products. A similar study is being conducted for the beef industry. Recognizing that coordination costs money, the studies are exploring how and to what extent savings in scheduling, transporting, and handling, and possible gains from improved product quality and merchandising may offset these costs.

The pricing of producer products has created a feeling of frustration by most producers because of the decline in importance of large volume central raw product markets, the complexity of wholesale and retail pricing, and the increased importance of export markets. Many producer efforts to price their products under marketing orders or through bargaining associations have met with only limited success. To aid producers in developing improved methods of pricing their products, Farmer Cooperative Service is working directly with three industry groups. These are: The sheep industry in developing a teleauction pricing system; the potato industry in improving their information and bargaining association efforts; and the pork industry in developing a computer controlled centralized slaughter hog pricing system. Research efforts include an evaluation of a teleauction system and a bid and offer pricing arrangement, and the development of guidelines for cooperative pricing in a vertically coordinated system. Improvement in producer pricing arrangements will not only strengthen competition in the industry but also result in increased efficiency in transportation and handling.

Cooperative development assistance of FCS is designed to provide farmers with the type of technical advice needed in forming and operating viable cooperatives. We consider cooperative development to include both a change from existing ownership pattern to the cooperative form as well as formation of new cooperatives. Among our more important current efforts are developing a cooperative for peach growers in Missouri and fishery cooperatives for interested groups in North Carolina, Louisiana, Florida, Georgia, and the Virgin Islands. Technical assistance for these types of efforts involve advice and counsel on financial arrangements, marketing programs, and procurement of supplies, as well as on the unique aspects of managing a cooperative.

Our work with farm groups considering cooperatives as a means for assuming ownership of existing business organizations involve broiler producers in two Eastern locations. In one instance we have advised the group not to attempt the undertaking. With the other group we are still assisting them in evaluating their program to help insure that the undertaking is feasible. Among the critical concerns is the ability to obtain equity financing. We estimate that over 500 jobs with an estimated annual payroll of \$4.5 million will be involved. The producer group has primary responsibility but community leaders have also indicated their willingness to provide financial support.

The FCS educational effort is designed to provide specific examples of the ability of cooperatives to serve agriculture and also to provide a stimulus for giving careful consideration to needed changes. The specific examples now being developed are separate reports on the operations of Central Carolina Farmers, Durham, North Carolina and Riceland Foods, Stuttgart, Arkansas. These reports will provide a basis for understanding the important role cooperatives can play over time in helping

family farmers adjust to changing conditions. Both of these cooperatives have been instrumental in changing agriculture from a one-crop system to a balanced type of agriculture. The cooperatives have provided leadership and support in making the adjustment.

In providing educational material to stimulate needed change, FCS has developed information on the grain export marketing program with particular reference to cooperatives. This material is designed to explain to producers the problems grain cooperatives face and alternative solutions. Producers would be able to make meaningful choices as they seek new and improved means for marketing grain. Similar educational projects are being planned for cattle and hogs to make producers aware of critical marketing problems.

An important and critical part of the total management process of cooperatives is the board of directors. FCS is conducting a study to determine the characteristics of directors and their perception of their duties as directors. Such information becomes useful in developing training programs and in improving the director selection process.

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. In 1974, the Secretary assigned to the Service, by transfer, responsibility for the barter and stockpiling program, sales management for government-owned surplus commodities, ocean transportation functions related to the export of commodities under U.S. programs, and activities relating to developing, evaluating and reviewing the program for donations of food abroad through voluntary agencies pursuant to Titles I and II of P.L. 480. In 1975 the Secretary reassigned from FAS to the Office of the Sales Manager responsibility for developing and instituting policy relating to Public Law 480, financing export credit sales, barter programs and sales of CCC-owned commodities. In FY 1975, the Service has assumed responsibility for weekly reporting on agricultural export sales. Most recently, the Service has been established as lead agency of the Large Area Crop Inventory Experiment.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service to assist U.S. agricultural industry in its export operations. This is done through a continuous program of reporting by agricultural attaches located in 63 posts throughout the world covering some 110 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. The Service is currently responsible for establishing the utility and cost effectiveness of using satellite, meteorological, climatological data to predict global production of major crops.

The Service develops foreign markets for U.S. farm products through effective market promotion activities. It provides tradesmen, both foreign and domestic, with services that are necessary to build and maintain markets for U.S. products overseas. In addition, the Service conducts programs which facilitate the sale of agricultural commodities on a long-term credit basis and for the donation of agricultural commodities to foreign governments, inter-governmental and voluntary agencies and the World Food Program in some 100 countries. Under the Export Sales Reporting program, reports are prepared which will keep the Secretary informed about export levels of various commodities.

Under authority of the Trade Act of 1974, the Service directs and coordinates Department participation in the formulation of trade programs and agreements in order to stabilize and expand the world trade of U.S. agricultural products. It effectively negotiates to reduce restrictive tariff and trade practices which are recognized as barriers to the import of U.S. agricultural commodities.

Organization - The work of the Service is carried out by headquarters staff in Washington, D.C., 63 agricultural attache posts in various countries, and a regional field service director in Chicago for direct contact with present and potential exporting firms and state marketing offices and an office at the Johnson Space Center in Houston to coordinate activities with NASA and NOAA relative to the Large Area Crop Inventory Experiment.

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		Available 1975		1976	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Foreign Agricultural Service:						
Appropriation:	\$27,986,000	677	\$29,719,000	707	\$33,805,000	742
Transfer from:						
Section 32...	3,117,000		2,117,000		2,117,000	
Total.....	\$31,103,000	677	\$31,836,000	707	\$35,922,000	742
Salaries and expenses (Special foreign currency program).....	296,734 ^{a/}	11	500,000 ^{a/}	11	500,000 ^{a/}	11
Total, Agricultural Appropriation.....	\$31,103,000	688	\$31,836,000	718	\$35,922,000	753
Obligations under other						
USDA appropriations:						
Limitation on administrative expenses, Commodity Credit Corporation..	3,348,731	148	3,532,000	137	3,404,000	131
Miscellaneous reimbursements.....	60,271	1	200,000	1	150,000	1
Total, Other						
USDA Funds.....	\$ 3,409,002	149	\$ 3,732,000	138	\$ 3,554,000	132
Total, Foreign Agricultural Service.....	\$34,512,002	837	\$35,568,000	856	\$39,476,000	885

END OF YEAR EMPLOYMENT:	1974	1975	1976
	Actual	Estimated	Estimated
Permanent full-time	809	846	866
Other	18	27	27
Total	827	873	893

^{a/}Represents obligations. No appropriations are required for this item since the unobligated balances brought forward are sufficient to carry out this program.

(a) Foreign Agricultural Service

	<u>Appropriation</u>	<u>Transfer from Section 32</u>	<u>Total</u>
Appropriation Act, 1975....	\$28,895,000	\$2,117,000	\$31,012,000
Budget Estimate, 1976.....	33,805,000	2,117,000	35,922,000
Increase in Appropriation..	<u>\$ 4,910,000</u>	<u>---</u>	<u>\$ 4,910,000</u>

Adjustments in 1975:

Appropriation Act, 1975..	\$31,012,000	
1975 Supplemental Appropriation for Pay Costs..	477,000	
Activities transferred from Statistical Reporting Service ^{a/}	347,000	
Adjusted base for 1975		\$31,836,000
Budget Estimate, 1976.....		<u>35,922,000</u>
Increase over Adjusted 1975		<u>\$4,086,000</u>

^{a/}Pursuant to Secretary's Memorandum No. 1850 dated October 7, 1974, the export sales reporting functions were transferred to this account from the Statistical Reporting Service. Actual transfer of funds of \$347,000 is anticipated in FY 1975. On a comparable basis, the full annual cost of the activity including increased pay costs is \$463,000 in FY 1975 and \$614,000 in FY 1976. In FY 1974 this activity was funded through a reimbursable agreement with the Agricultural Stabilization and Conservation Service.

SUMMARY OF INCREASES AND DECREASES
(On Basis of Adjusted Appropriation)

	1975	Increase	1976 Estimate
International Trade.....	\$ 1,222,000	\$ +84,000	\$ 1,306,000
Agricultural Attaches.....	8,044,000	+1,090,000	9,134,000
Foreign Marketing.....	18,123,000	+110,000	18,233,000
Export Sales Reporting.....	347,000	+267,000	614,000
Foreign Commodity Analysis....	2,871,000	+304,000	3,175,000
Large Area Crop Inventory Experiment.....	---	+2,000,000	2,000,000
GSA Space Rental Costs.....	502,000	+4,000	506,000
Annualization of Pay Cost Increase Effective in FY 1975	477,000	+143,000	620,000
Annualization of FY 1975 Items of Increase.....	250,000	+84,000	334,000
Total Available.....	<u>\$31,836,000</u>	<u>\$+4,086,000</u>	<u>\$35,922,000</u>

PROJECT STATEMENT
(On Basis of Adjusted Appropriation)

	1974	1975 :(Estimated):	Increase	1976 :(Estimated)
1. International Trade.....	\$ 1,148,964:	\$ 1,315,000:	\$ 95,000(1):	\$ 1,410,000
2. Agricultural Attaches.....	7,816,047:	8,511,000:	1,219,000(2):	9,730,000
3. Foreign Marketing.....	18,449,666:	18,847,000:	438,000(3):	19,285,000
4. Foreign Commodity Analysis:	3,522,365:	3,163,000:	2,334,000(4):	5,497,000
Unobligated balance.....	165,958:	---	---	---
Total available or estimate....	<u>\$31,103,000:</u>	<u>\$31,836,000:</u>	<u>\$4,086,000</u>	<u>\$35,922,000</u>
Proposed supplemental for pay costs.....	---	-477,000:		
Transfer of export sales reporting from Statistical Reporting Service.....	---	-347,000:		
Total Appropriation.....	<u>\$31,103,000:</u>	<u>\$31,012,000:</u>		

EXPLANATION OF PROGRAM

The appropriation of the Foreign Agricultural Service funds the activities authorized by the Agricultural Act of 1954 (P.L. 690) and by Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, as amended. The activities carried out are as follows:

- International Trade - This program area coordinates and directs Department participation in the formulation of trade programs and agreements with a specific goal to expand world trade of American agricultural products. The program area maintains an ongoing activity to reduce restrictive tariff and trade practices in foreign countries which discourage the imports of American agricultural products.

The workload in this program area is distributed in two major activities: (1) Trade Negotiations and (2) Trade Operations. Within these two activities the functions center around (a) the development and coordination of USDA positions on trade matters and representing these views to other Departments and Inter-departmental bodies for the purpose of developing a U.S. position, (b) participation in bilateral and multilateral consultations and negotiations with other Governments, (c) participation in the analysis of the impact of agricultural imports on Department programs, (d) administration of import quota restrictions as imposed by the President, (e) represents USDA in the Interdepartmental Committee for Export Control under the Export Control Act of 1949, and (f) the assurance of Department participation in developing, evaluating, and presenting administration proposals to reconcile conflicts of U.S. domestic and foreign economic policy pertaining to U.S. agriculture.

- Agricultural Attaches - The Attache Service is a corps of agricultural specialists trained to administer agricultural functions as defined by the Department within the country of assignment. Currently the Agricultural Attache Service has 63 posts of assignment covering 100 countries.

The workload of this program area is as follows. (a) to provide USDA foreign agricultural representation, (b) to protect agricultural trade interests throughout the world, (c) to coordinate the collection of data and interpret and analyze marketing, economic, and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs, (d) to assure effective participation in the development of markets and implementation of trade programs and projects, and (e) to assure effective Department liaison with Chiefs of the U.S. Diplomatic Missions, other U.S. agencies and foreign government officials, private agencies in the fields of agriculture, commerce, industry and finance, trade organizations' leaders, exporters, distributors, farmers, international trade, farm and commodity groups and organizations.

The service submits some 3,550 market intelligence reports a year covering about 110 countries.

- Foreign Marketing - The object of the foreign marketing program is to promote and assist in the expansion of export sales of U.S.-produced farm products. Support activities relating to the P.L. 480 and the Commercial Export Programs are also provided through the facilities of the Agricultural Stabilization and Conservation Service.

Public Law 480 Program - the activities assigned to the Department under Title I and Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480) are carried out by the Service. Under this program, "available" agricultural commodities are exported to friendly countries. This includes sales of agricultural commodities

for dollars on a long-term credit basis (Title I), and donations of commodities to foreign governments, intergovernmental and voluntary agencies and the World Food Program in some 100 countries (Title II).

Commercial Export Programs - the Service administers the commercial export activities of the Commodity Credit Corporation including the short-term export credit sales program, the Barter Program, programs to facilitate and expand the sales of privately and CCC owned agricultural commodities and develops related pricing policies and export payment rates for applicable commodities. The Service also carries out the domestic operations to implement the Wheat Trade Convention of the International Wheat Agreement.

Export Reporting - the Service compiles on a weekly basis statistical reports which reflect levels of export sales of designated commodities. These are for the use of the Secretary and other top officials in their review of the overall commodity situation during times of short supply

Foreign Market Development - this program area administers FAS' market development programs which are designed to encourage exports of U.S. agricultural products in foreign markets.

The workload of this program area is distributed among three general activities: (1) Planning and Evaluation, (2) Export Trade Services, and (3) Foreign Marketing. Within the three activities, functions are defined as follows: (a) establishment of program policies and objectives, (b) formulation of market development plans and activities, (c) development of program analysis and evaluation plans, (d) coordination of program operations, (e) maintenance of relationships and liaison with State departments of agriculture, private industry cooperator groups, and regional agricultural trade councils, (f) coordination of market development programs with U.S. agricultural production planning, and (g) supervises commodity aspects of private cooperator participation in foreign market development projects under private industry arrangements.

The Foreign Agricultural Service also maintains a market development relationship with 38 active cooperator organizations providing promotional activities in about 70 foreign countries. FAS also conducts some 52 separate promotional events in 28 foreign countries.

- Foreign Commodity Analysis - This is the agency's primary area for the formulation and maintenance of worldwide intelligence on the supply, demand and trade of agricultural commodities. It is responsible for analysis and forecasting of world production, consumption and trade trends, including factors leading to variations from any trend which affect exports of U.S. agricultural commodities. Responsible for the organization, classification, analysis and publication of data in such form that it provides information and guidance to U.S. Government policy level executives, to domestic agricultural producers, the U.S. agricultural business community and to the public in general.

The workload of the program area is distributed among 8 commodity activity areas. Their functions are as follows: (a) to conduct studies of foreign production and foreign markets for U.S. agricultural commodities, (b) to conduct analyses of competition from production in foreign countries and its effect on U.S. agricultural exports, (c) to service U.S. exporters, trade groups, commodity associations and U.S. Government agencies with current market data and intelligence, and (d) to process worldwide data collection results and adapt field reporting to automatic data processing systems. The program area also evaluates agricultural reporting with the objective of correcting deficiencies, expanding coverage and improving the commodity intelligence reporting systems.

Professional analyses of production, prices, supply and distribution, trade and consumption are conducted by this program area on some 74 commodities from about 131 countries.

In FY 1975 FAS became lead agency in the U.S.D.A. for the Large Area Crop Inventory Experiment (LACIE). This is an experimental program designed to evaluate the feasibility and cost-effectiveness of using ERTS and NOAA satellites equipped with multispectral scanning equipment to predict large area crop yields. The first stage of the project will center around collection of data and checking against "ground truth" to check its validity. One major crop, wheat, will be the initial focus of the project.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$95,000 for International Trade consisting of:

(a) An increase of \$11,000 for annualization of pay increases effective in FY 1975.

(b) An increase of \$84,000 for program increases to improve negotiating ability, and to offset increases in travel costs (\$1,315,000 available in 1975).

Need for Increase - in representing the trade interests of American agriculture abroad, the International Trade area is constantly confronted with changing requirements as new countries become significant trade partners of the U.S., and as various countries and groups of countries alter policies and experiment with new negotiating tools.

Rising travel costs are threatening to severely hamper the ability of International Trade Policy staff to represent the trade interests of American agriculture. Transatlantic fares rose by 7-10% in the first half of FY 1975. This was on top of an 11% worldwide increase in FY 1974. State Department estimates predict rises of 15% and 12% for all of FY 1975 and FY 1976 respectively.

Plan of Work - passage of the Trade Act of 1974 by the 93rd Congress has placed increased emphasis on the functions of the International Trade area. The trade act enables the U.S. Government to effectively negotiate on tariff and nontariff trade barriers during the multilateral trade negotiations extending over the next five years. The USDA will be entirely dependent upon the International Trade area of FAS to (1) provide all data and/or information relative to the agricultural commodities under negotiation, (2) backstop the U.S. negotiators, and (3) provide personnel for the negotiating team. With this expansion of responsibility, the program area will have defined requirements and need to be able to respond to all levels of the U.S. Government, in particular the Office of the Special Representative for Trade Negotiations. In order to comply with these requirements, the completion of the Trade Policy Computer Data Bank is a necessity. Data inputs for 18 major countries are currently being banked with similar needs projected for 45 countries. In conjunction with the automation of tariff and nontariff data the program area plans to improve its ability to monitor and analyze actions by member states of the European Community. Policies between member states often vary substantially from norms established under the EC Common Agricultural Policy, and their effects on U.S. trade interests must be known prior to negotiations. Another tool in negotiating the elimination or reduction of trade barriers is to develop codes or guidelines for the establishment and administration of standards and other technical barriers to trade. FAS plans to utilize this method in GATT. Required support for the various preparedness functions of the MTN is obvious. In addition, however, FAS must provide staff support to the Technical and Policy Advisory Committees, consisting of over 200 representatives of agricultural trade organizations and major farm groups whose guidance is being sought for the Multilateral Trade Negotiations. Lastly, an economist with Chinese language capability is requested which will enable the program area to more efficiently engage in trade negotiations with the People's Republic of China (PRC). It will provide the capability of analyzing tariff and nontariff

(d) An increase of \$18,000 for expansion of the Attache post in Korea (\$57,000 available in 1975).

Need for Increase - U.S. agricultural exports to South Korea rose sharply to \$635 million in CY 1973, up \$272 million from 1972. This large and expanding market in Korea and the complex of U.S. export programs in operation there require the assignment of an assistant agricultural attache to adequately carry out USDA responsibilities.

Plan of Work - an assistant attache will be able to divide the complex workload of this post with the attache, and absorb growing workload and other duties as delegated by the attache. With the addition, the Seoul post will consist of an attache, an assistant attache, an American secretary and a local professional agriculturalist. This increase would cost \$40,000 but is offset by a decrease in foreign national staff elsewhere.

(3) An increase of \$438,000 for Foreign Marketing consisting of:

(a) An increase of \$57,000 for annualization of pay increases effective in FY 1975.

(b) An increase of \$4,000 for space rental costs pursuant to P.L. 92-313.

Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100 percent funding for the estimated billings provided by the General Services Administration.

(c) An increase of \$116,000 for annualization of FY 1975 increase for export sales reporting activities (\$347,000 available in 1975).

The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved the request for export sales reporting, but reduced the 1975 funding by one-fourth. In FY 1976 this program will require full-year funding; therefore, we are requesting this increase to annualize the level approved in 1975.

(d) An increase of \$151,000 for improvement of export sales reporting activities (offset by a reduction in CCC administrative workload) (\$463,000 available in 1975).

Need for Increase - in October 1974 the responsibility for reporting on export sales made by U.S. exporters was transferred to the Foreign Agricultural Service. As part of the transfer FAS was required to expand the published report by utilizing more refined and timely data. FAS was also including in each weekly report an evaluation of the summary data in relation to the world demand/supply situation. In order to produce the expanded report, an increase of 6 full-time personnel was found to be necessary. Thus in FY 1976 salaries and support costs for 22 full-time personnel are required for this expanded activity. FAS will absorb the increase through a comparable reduction in FAS CCC-funded activities, and requests that the savings incurred in the CCC-financed programs be similarly transferred to the direct appropriation account.

Plan of Work - the Agricultural Act of 1970, as amended, requires all exporters of agricultural commodities produced in the U.S. to, upon request of the Secretary of Agriculture, report information with respect to export sales of specific agricultural commodities. In FY 1974 and early FY 1975 this function was carried out by the Statistical Reporting Service. In October 1974 it was transferred to FAS. The objective of the agency is to maintain the weekly reporting service similar to that of SRS, but to add to the report an analyses of the situation using more timely and detailed data. This expanded information will provide an objective

data from published Chinese documents and will offer a closer contact with a country where prospects for agricultural trade are increasing.

Our International Trade Policy staff must be in a position to undertake travel as needed to represent American interests at the Multilateral Trade Negotiations and in other important bilateral talks in order to push for easier access for American products. Without relief for rapidly rising travel costs, crucial activities undertaken to protect or extend the competitive position of U.S. agricultural products will of necessity be drastically reduced. The amount requested is \$7,000.

(2) An increase of \$1,219,000 for Agricultural Attaches consisting of:

(a) An increase of \$45,000 for annualization of pay increases effective in FY 1975.

(b) An increase of \$84,000 for annualization of program increases effective in FY 1975 (\$250,000 available in 1975).

The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved the request for an increase due to inflation overseas, but reduced the 1975 funding by one-fourth. In FY 1976 this activity will require full-year funding; therefore, we are requesting this increase to annualize the level approved in 1975.

(c) An increase of \$1,072,000 to offset overseas wage and price increases (\$6,033,000 available in 1975).

Need for Increase - four uncontrollable increases stemming from overseas inflation make it necessary to request an additional \$1,072,000 for the Agricultural Attaches area. The FY 1976 Shared Administrative Support (SAS) payment is projected to increase by \$483,000. This is due to an approximate expense increase of 22% which the State Department incurs for SAS expenditures and passes on to the participating agencies. FAS foreign national salaries will also increase. For FAS employees the increase will average 21%, and total \$340,000. Various miscellaneous expenses, including rents, communications, utilities, supplies and materials, and equipment will drive costs up by an additional \$166,000. This estimate is based on a worldwide average price increase of 15%. The last area of increase is International Travel. On top of heavy increases in FY 1973-74, international fares are expected to rise by 15% in FY 1975 and 12% in FY 1976. With much of Attache Service travel tied to unavoidable personnel rotations and benefits, an increase of \$83,000 is needed if necessary program travel is not to be drastically curtailed.

Plan of Work - these increases will be used to maintain Attache Service operations at their current levels. SAS expenditures are used to reimburse the Department of State for many sorts of services and goods provided in the Embassy to our staff. These are for the most part administrative, e.g. budget, fiscal, personnel, and security services, etc., and FAS cost increases have been for reasons of rampant overseas inflation rather than because of rising FAS workload demands upon the Embassy. Salary increases are used to meet commitments to FAS local employees which are undertaken when new pay scales are put into effect. These raises are carefully worked out by teams of examiners, or have been decreed by the local government, and are not in any way discretionary. Other costs for miscellaneous equipment and services represent similar increases in routine replacement costs. The increase requested for International Travel will be used to offset fare increases as indicated above. Meeting fundamental staffing and rotational requirements for 63 Service posts necessitates extensive travel on the part of attaches. Similarly, reporting and intelligence gathering in the field are necessary in order to enable FAS to provide the best possible information in its publications. Travel is important in all of these areas, and the increase will only enable operations to be maintained at their current levels.

basis for evaluation of reports by the Department, the public, and other interested parties. In addition, FAS will be able to better integrate information on export sales with its analyses of worldwide production, supply and demand conditions and their affect on U.S. exports.

(e) An increase of \$110,000 for International Institute for Cotton assessment (\$1,615,000 available in 1975).

Need for Increase - an additional \$110,000 is needed in FY 1976 to cover the projected increase in the assessment for the International Institute for Cotton (IIC). The IIC is significantly different from all other FAS programs because it is an association of sovereign governments, and its costs to each member are fixed and committed through treaty.

Plan of Work - the countries forming the IIC work through its mechanisms to increase consumption of raw cotton throughout the world. Members include the U.S., Mexico, Peru, Brazil, Spain, Greece, Tanzania, Uganda, and India. Colombia has also applied for membership. Under the terms of the governing treaty, each member is assessed annually the equivalent of one U.S. dollar per bale (500 pounds gross) of raw cotton exports to Western Europe and Japan. The International Cotton Advisory Committee provides statistics which are used to determine volumes of exports for assessment. The assessments are based on an average of cotton exports during the previous three cotton seasons.

(4) An increase of \$2,334,000 for Foreign Commodity Intelligence Consisting of:

(a) An increase of \$30,000 for annualization of pay increases effective in FY 1975.

(b) An increase of \$2,000,000 for the Large Area Crop Inventory Experiment (LACIE) (\$950,000 available in 1975 from CCC funds).

Need for Increase - the Service cooperates with the National Oceanic and Atmospheric Administration (NOAA) and the National Aeronautics and Space Administration (NASA) through a memorandum of understanding which arranges for a joint technical effort to conduct a large scale crop inventory experiment to test whether the timeliness and accuracy of major crop forecasts can be improved through the computer assisted analysis of satellite remote sensing weather and historical data. Wheat has been selected as the test crop. The Service coordinates the functions relative to the experiment with other agencies in the USDA through a similar memorandum of understanding which establishes FAS as the lead agency. Funding necessary to conduct the program activity is authorized by the Act of August 28, 1954 (7 U.S.C. 1761) and the Act of March 4, 1909, as amended by the Act of March 4, 1917.

Plan of Work - LACIE is an experimental agricultural forecast demonstration which will, by analyzing data over two complete crop cycles, develop and test a new technical approach to the prediction of a major food crop. LACIE is specifically oriented towards developing a data handling, processing, and analysis approach combining inputs from existing experimental multispectral scanning equipment on the LANDSAT satellite, from operational NOAA environmental satellites, and from existing ground meteorological networks with the standard historical and conventional agricultural data base. The LACIE experience is expected to contribute substantially toward determining the economic and technical feasibility of employing this approach and toward determining the utility of these combined measurement and analysis techniques to meet future requirements of the USDA and other resource management agencies. The test crop for the demonstration will be wheat, with a performance goal of making significant improvements in large area production estimates.

(c) An increase of \$304,000 to offset increases in travel costs, and for program increases.

Need for Increase - in order to accomplish the objectives of the program area it is judged necessary that FAS analysts and specialists be in a position to travel

internationally when the rapidly changing commodity situation makes this necessary for the efficient performance of their duties. Air fares, rising 11% in FY 1973-4, and estimated to rise by 15% in FY 1975 and 12% in FY 1976 are threatening to curtail foreign travel for purposes of intelligence gathering.

The current volatility of world commodity prices, the emergence of the USSR and the PRC as important world traders, and the upcoming Multilateral Trade Negotiations have significantly increased the demand for foreign commodity analysis work. This includes a stepped up need for commodity and area coverage, timeliness, accuracy, in-depth analysis, and forecasting. The expansion and urgency of demand, and the increased complexity of the analysis required, make necessary an expansion of the FAS resource base in this area.

Plan of Work - increased funding for air travel will enable the Commodity Analysis specialists to only travel at a maintenance level comparable to that of a year ago. The increases will obviate the need for cutbacks in necessary travel which might otherwise result. The amount requested is \$9,000.

In order to improve and expand the analytical and forecasting capabilities to take into account the market-oriented, export-based nature of U.S. production and the increased information requirement derived therefrom, additional manpower support in both professional and clerical positions is needed. This manpower will be placed in the specific commodity areas of FAS which have the greatest demand for expanded analysis of data. The requirements of the multilateral trade negotiations will apply pressure on commodity areas such as Grains and Feeds, Oils and Oilseed Products, Fruits and Vegetables, Livestock and Meat Products, and others to produce a digest of data related to tariff and nontariff barriers. Additional analyses during FY 1976 and forthcoming years will be needed to enable decision makers to determine the very important export policies as they relate to the full production and full efficiency objectives set by the Department. Total manpower necessary to expand the Commodity Analysis capability is 7 professional and four support positions at a total cost of \$195,000.

Two specific areas of great concern to Department officials are World Sugar Production and Marine Freight Rates. Studies are necessary to estimate the potential demand and supply response of sugar on the one hand, and the effect of changes in level and variations in the structure of shipping costs on the competitive position of U.S. agricultural exports on the other. Particular attention in the area of freight rates is to be placed on the possible discriminatory structure and the effect of changes in rates as a result of the current energy situation. These studies are to be contracted and completed in FY 1976 at a total cost of \$100,000.

TRANSITION BUDGET

Foreign Agricultural Service

Transition Budget Estimate.....\$9,266,000

JUSTIFICATION OF TRANSITION ESTIMATE

The funds requested represent slightly more than one-fourth of the budget estimate for FY 1976. The budget request is basically a continuation of programs at the same level as the FY 1976 request. To keep the Agricultural Attache program at FY 1976 levels, however, requires an amount of \$268,000 in excess of one-fourth the FY 1976 budget request. This is needed to offset the impact of overseas wage and price increases anticipated during the transition period. The estimate assumes a continuation of wage and price increases at the same level projected in the FY 1976 budget estimates.

Allotment from Commodity Credit Corporation

Available, 1975.....	\$3,732,000
Allotment Estimate, 1976	
Foreign Agricultural Service.....	<u>3,404,000</u>
Decrease in Allotment.....	<u>\$ -328,000</u>

Adjustments in 1975:

Allotment, 1975.....	\$3,732,000
Transfer to Office	
of Sales Manager..	-200,000
Adjusted Allotment, 1975	\$3,532,000
Allotment Estimate, 1976	<u>3,404,000</u>
Decrease in Allotment	<u>\$ -128,000</u>

SUMMARY OF INCREASES AND DECREASES
(On Basis of Adjusted Allotment)

	1975	Increase or Decrease	1976 Estimate
Foreign Marketing.....	\$3,223,000	\$-151,000	\$3,072,000
GSA Space Rental Costs...	197,000	-15,000	182,000
Annualization of Pay			
Cost Increases Effec-			
tive in FY 1975.....	112,000	+38,000	150,000
Total Available.....	<u>\$3,532,000</u>	<u>\$-128,000</u>	<u>\$3,404,000</u>

PROJECT STATEMENT
(On Basis of Adjusted Allotment)

Project	1974	1975 (Estimated)	Decrease	1976 (Estimated)
Foreign Marketing:	\$3,348,731	\$3,532,000	\$-128,000 (1)	\$3,404,000
Distribution of				
Costs:				
Export Market-				
ing Service....	2,045,831	---	---	---
Foreign Agri-				
cultural Ser-				
vice.....	1,302,900	3,532,000	-128,000	3,404,000

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$128,000 for Foreign Marketing consisting of:
- (a) An increase of \$38,000 for annualization of pay increases effective in FY 1975.
- (b) A decrease of \$15,000 for space rental costs pursuant to P.L. 92-313.
- (c) A decrease of \$151,000 in Commodity Export Programs and Barter programs.

Need for Decrease: Reduced workload in the barter and export payment programs will permit a reduction of 6 man-years and a savings of \$151,000 from the FY 1975 budget estimate.

TRANSITION BUDGET

Allocation from Commodity Credit Corporation

Transition Budget Estimate.....\$851,000

JUSTIFICATION OF TRANSITION ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

STATUS OF PROGRAM

Current Activities: American agriculture continues to play an increasingly important role in the world's economic and political situation. With food supplies once again an international concern, hungry nations instinctively look towards the United States as a potential supplier, and they do this with good reason. In the past 20 years the American farmer has sold for dollars overseas more than \$100 billion in farm products. This nation has sent to needy countries over \$25 billion in food aid under P.L. 480. In this fiscal year the farmer's products are again expected to generate a net positive balance in our agricultural trade of nearly \$10 billion. With heavy costs from oil imports, which must be offset, this country's agricultural exports are as important to us as they are to the many nations we help to feed.

In late FY 1974 and FY 1975 FAS has made several changes which help us to meet the demands of the rapidly changing market situation described above. The Office of the Sales Manager has been detached from the FAS line structure in order to enable the Sales Manager himself to assume a new role of advising the Secretary directly on policy matters relating to foreign marketing. FAS will, however, continue to provide the Sales Manager with staff support. In another area, FAS has taken responsibility for the Export Sales Reporting function from the Statistical Reporting Service, and is working to enlarge and supplement weekly sales reports with analysis of the world commodity situation. In addition, FAS has been designated lead agency for the Large Area Crop Inventory Experiment which will utilize data provided from multispectral scanning equipment on board satellites, to provide crop estimates. Through these organizational changes, as well as through continual efforts at upgrading the quality of its other functions, the agency strives to provide the best service it can in times of growing importance and rapid change in the agricultural situation.

The services which FAS provides to those interested in international agricultural trade are considerable, and are executed through several programs which are designed to assist American agriculture in maintaining and expanding its foreign markets. In the examples below the operating objectives of each of the agency's program areas are presented, and selected recent accomplishments which illustrate how these objectives are met on a continuing basis are offered. Together these statements describe the way in which FAS operates to aid producers and processors of American farm products, and the balance of payments.

Selected Examples of Recent Progress:

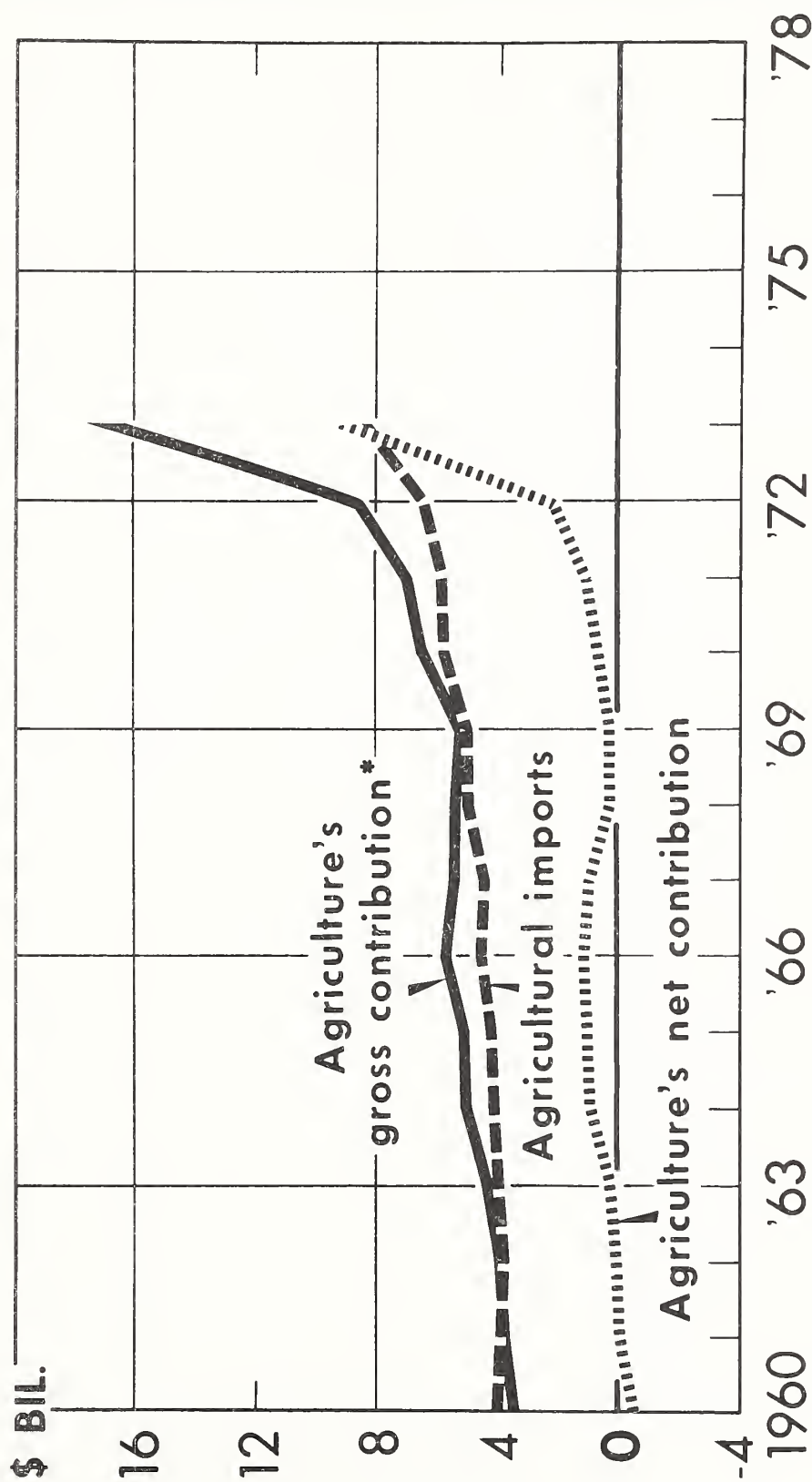
SUMMARY OF AGRICULTURAL TRADE

A. Statistical Highlights:

1. Record Dollar Level for U.S. Exports. U.S. agricultural exports in FY 1975 are expected to rise above \$22 billion, slightly higher than the \$21.3 billion level of FY 1974. All of the increase is expected to come from substantially higher prices for major commodities, while volume may go down by about one-fifth. Imports of agricultural products are likely to total around \$12 billion, nearly \$2½ billion above last year. This will make agriculture's net contribution to the U.S. balance of trade total \$10 billion, down slightly from the \$11.8 billion of FY 1974 (see attached chart). In FY 1974, the unprecedented \$21.3 billion level represented an increase of roughly 60% over the \$12.9 billion exported in fiscal 1973.
2. Billion Dollar Markets. U.S. farm exports during fiscal 1974 broke the billion-dollar mark to four markets--Japan, West Germany, the Netherlands, and Canada. Exports to the USSR, which had neared the billion dollar level in FY 1973 fell to \$500 million in FY 1974. A four hundred plus percent increase in the value of shipments to the People's Republic of China, however, brought that market to near the billion-dollar level at \$852 million.
3. Commercial Sales Account for 96% of Total Agricultural Exports. U.S. agricultural exports for dollars advanced 72 percent to \$20.4 billion in fiscal 1974 (see attached chart). Record high priced wheat and flour, feed grains, oilseeds and products, and cotton accounted for more than four-fifths of the net value gain in commercial sales for dollars. Meanwhile, exports under Government-financed programs, valued at \$939 million, caused total agricultural exports to move up to \$21.3 billion--65 percent above the \$12.9 billion last year.

"Commercial exports" or "exports outside Government-financed programs" include shipments under barter contracts involving overseas procurement for U.S. agencies, under Commodity Credit Corporation (CCC) credit sales programs, and under Export-Import Bank loans. Fiscal 1974 exports under supply-type barter hit \$294 million, slightly more than one-fourth the \$1,088 million worth of fiscal 1973. Total credit sales were off by two-thirds to total \$368 million.
4. Agricultural Exports Under Government Programs Drop. Agricultural exports under specified Government programs--including P.L. 480 and Mutual Security (AID) programs--dipped below the \$1 billion mark for the first time since the programs began nearly two decades ago. A \$91 million drop in fiscal 1974 exports under Government programs reduced the value of these shipments to \$939 million--or 4 percent of all agricultural exports, compared with 7 percent in fiscal 1973.
5. Large Shares of America's Harvest Are Exported. In 1973 farm marketings totaled \$193 billion, and in FY 1974 25% of this amount was exported. This meant that increased 1974 exports accounted for over one-quarter of the record \$32 billion jump in U.S. cash receipts.

AGRICULTURE'S CONTRIBUTION TO THE BALANCE OF PAYMENTS



* SUM OF DOLLAR RETURNS FROM COMMERCIAL EXPORTS, DOLLAR REPAYMENTS ON CREDITS, AND LOCAL CURRENCIES (ACQUIRED FROM THE SALE OF FARM PRODUCTS UNDER GOVERNMENT PROGRAMS) USED BY U.S. AGENCIES ABROAD IN LIEU OF DOLLARS.

6. Export Sales Guidelines. In the face of another huge grain sale to the USSR, the USDA announced on October 7, 1974 guidelines for prior approval of export sales under a voluntary program. The purpose of the system is to assure ample supplies for United States consumers and at the same time meet as fully as possible the requirements of U.S. customers abroad.

7. Price Developments During Fiscal Years 1973 and 1974.

Developments in the prices of agricultural commodities during fiscal year 1974 were largely the result of events that began in early fiscal year 1973. These included the worldwide crop shortfalls of 1972/73, the subsequent drawdown of commodity stocks, devaluation of the dollar, rapid economic growth, and general inflation. These factors have tended to increase prices. As pointed out by the following statistics, however, price decreases have been as significant as price increases.

- 1974 commodity prices are below 1973 levels for 19 of 31 commodities being promoted by FAS.
- Price declines of 10% or more number 14 and include rice, potatoes, beans, peas and lentils, tallow, hides and skins, turkeys, chickens, and Florida oranges.
- Commodities with price declines account for 58% of our estimated FY 1975 market development budget.
- Corn, sorghum and soybeans registered price increases of 47%, 69% and 39% respectively. Wheat prices were up 8%. These four commodities account for 34% of our estimated promotional budget for FY 1975.
- The price increase of wheat of 8% in 1974 is on top of a 145% increase from 1972 to 1973.
- Corn prices were up 47% in 1974 and 138% in 1973.
- Soybean prices were up 39% in 1974 and 83% in 1973.

8. Supply Developments During Fiscal Years 1973 and 1974. The following information on major supply developments in fiscal years 1973 and 1974 indicates that there have been supply increases as well as decreases for various commodities associated with our export promotion program.

- The supply situation for 27 products with increased supplies or decreases of less than 5% accounted for over 80% of our export promotion program in FY 1974.

- Eight products were in shorter supply in 1974 than in 1973. Of these eight products, the supply of four of them was off more than 10%-- corn, sorghum, soybeans and Texas grapefruit. The other four commodities with reduced supplies of less than 10% were wheat, tobacco, prunes, and Florida grapefruit.
- Of the 21 products with improved supply situations, five had increases of more than 30%, 11 had increases of more than 20%, and 15 had increases of more than 10%.
- Commodities which utilize a large percentage of our promotional budget and which had increases in supplies of greater than 5% in 1974 are: rice (25% increase), raisins (20% increase), cling peaches (30% increase), almonds (39% increase), Florida oranges (5% increase), and California/Arizona fruit products.

B. Commodity Distribution of Trade:

Grains, mainly wheat and feed grains, accounted for nearly three-fifths of the increase in U.S. agricultural exports in fiscal 1974. Significant increases also occurred for soybeans, protein meal, tobacco, cotton, fruits and vegetables, and animal products. Only dairy products and hides and skins showed declines.

New export records were established for corn, soybeans, soybean meal, tobacco, grapefruits and a number of other commodities.

1. Grains and Feeds. U.S. exports of grains and preparations, at \$10.3 billion, were nearly double the year earlier level of \$5.3 billion. The value of shipments increased for all commodities, with wheat and feed grains accounting for most of the increase. Although about three-fourths of the value increase stemmed from higher prices, the volume of feed grain exports zoomed from 35 million tons in fiscal 1973 to a record 44 million tons in fiscal 1974.

2. Oilseeds. Exports of oilseeds and products gained 49 percent in fiscal 1974 to reach a record \$5.2 billion. Most of the increase stemmed from higher prices. However, the volume of soybeans, soybean meal, and soybean oil increased 3-6 percent.

3. Cotton. U.S. cotton exports during fiscal 1974 rose by 1 million bales to 5.7 million. Value increased proportionately more because of a substantial rise in prices. Cotton exports to the PRC totaled about 843,000 bales in fiscal 1974, almost doubling the year-earlier level and accounting for a large part of the fiscal year gain.

4. Tobacco. Our fiscal 1974 tobacco exports totaled over 690 million pounds, about 17 percent more than the 592 million pounds shipped a year earlier. Value rose about one-fourth to a record \$813 million. While most of the increase occurred in shipments of flue-cured tobacco, exports of burley, bulk smoking tobacco, and tobacco stems also showed substantial gains.

5. Fruits and Vegetables. Foreign demand for U.S. fruits and preparations gained sharply in the past year because of more plentiful U.S. supplies, increased incomes overseas, and our better competitive position following realignment of currencies. Exports of fruits and preparations increased by one-third to a record of nearly \$600 million. Higher prices accounted for about 54 percent of the increase, volume was up 14 percent.

6. Livestock and Products. Exports of animals and animal products rose by around one-third to \$1.8 billion in fiscal 1974, with the major gains occurring for live cattle, poultry meat, and inedible tallow. Shipments of dairy products and hides and skins fell, primarily because of increased competition from other major exporters. (Dairy products were in very tight supply in the United States, and our imports rose sharply to meet domestic requirements.)

C. Breakdown By Major Agricultural Markets:

1. Western Europe. U.S. agricultural exports to Western Europe increased by over half to \$6.8 billion in fiscal 1974, of this \$5.3 billion went to the combined EC. Shipments to West Germany and the Netherlands were above the \$1 billion mark--the first time for the Netherlands (see attached chart).

Exports to West Germany, our largest agricultural export market following Japan, totaled about \$1.5 billion, a 73 percent increase over the fiscal 1973 level (before adjustments for transshipments). When data for transshipments are available, West Germany's total will probably exceed \$1.8 billion.

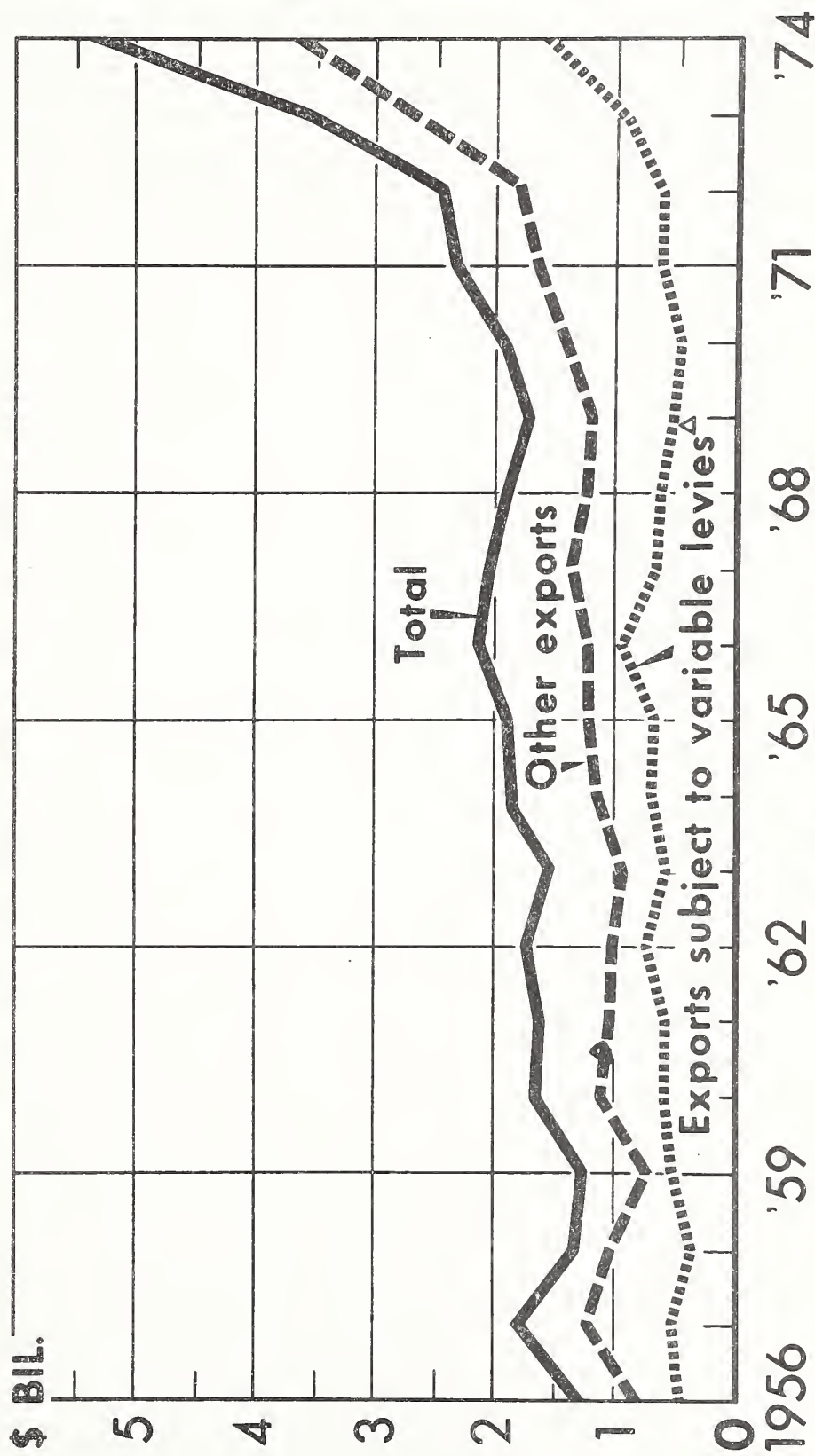
The next positive U.S. balance of agricultural trade with the principal Western European trading partners, the EC, rose from \$2.7 billion to \$4.1 billion.

2. Japan. Agricultural exports to Japan passed the \$3 billion mark, increasing 49 percent from fiscal 1973, mostly because of higher prices. On a commodity basis, wheat, feed grains, tobacco, and cotton accounted for the bulk of the value gain. The 10 percent annual gain in Japan's per capita income over the past 5 years has created demand for high quality foods, such as wheat and wheat products, and meat products from livestock raised on U.S. feed grains.

Due to the cutback in the oil supplies to Japan during fiscal 1974, less petroleum has been available for processing into synthetic fibers. Consequently, Japanese demand for U.S. cotton has increased significantly.

3. Latin America. U.S. farm exports to Latin America in fiscal 1974 totaled \$2.4 billion, more than doubling the level of the previous year. The increase occurred mainly in shipments to Colombia, Bolivia, Chile, Brazil, Ecuador, and the Dominican Republic.

U.S. AGRICULTURAL EXPORTS TO THE ENLARGED EUROPEAN COMMUNITY



Δ INCLUDES GRAINS, MEATS, POULTRY, AND DAIRY PRODUCTS, EXCEPT THOSE BOUND IN GATT.

4. Canada. Canada's fiscal 1974 imports of U.S. agricultural products rose 45 percent to hit an alltime high of \$1.2 billion, compared with \$824 million in fiscal 1973. Substantial gains occurred for meat products, corn, vegetable oils, cotton, and many other items.

5. Eastern Europe and the USSR. U.S. agricultural exports to Eastern Europe and the USSR fell 13 percent in fiscal 1974--to \$1.2 billion from a high of \$1.4 billion a year earlier. The 43 percent decline in shipments to the USSR (from \$900 million in fiscal 1973 to \$509 million in fiscal 1974, excluding transshipments through Canadian ports) offset a 53 percent increase in shipments to Eastern Europe (\$686 million in fiscal 1974, \$450 million a year earlier).

6. Africa. U.S. agricultural exports to Africa totaled \$980 million in fiscal 1974, nearly 3 times the year-earlier level. The very severe and widespread drought on that continent continued, and many countries had to import a great deal more food products.

7. People's Republic of China. The PRC took \$852 million worth of U.S. farm exports in fiscal 1974, compared with only \$200 million worth a year earlier. Wheat, totaling 3.0 million tons and valued at \$317 million, was the leading commodity, both in absolute value and percentage increase (682 percent) over fiscal 1973. Corn, totaling 1.8 million tons and valued at \$189 million, was the next most important item. Cotton exports to this relatively new market totaled about 843,000 bales worth \$188 million. Soybean exports reached 24 million bushels, valued at \$142 million.

D. Agricultural Imports:

Because of higher prices, U.S. agricultural imports advanced 30 percent in value during fiscal 1974, reaching \$9.5 billion. Volume remained about the same as in fiscal 1973.

1. Competitive Imports. Competitive farm product imports, at over \$6.2 billion in fiscal 1974, were up nearly one-third in value. Volume changed little since again gains for some commodities were offset by declines for others. For dutiable cattle, entries fell to 897,000 head from nearly 1.2 million, a 25-percent drop; because of higher prices, value was down only 5 percent to \$177 million.

2. Noncompetitive Imports. Noncompetitive items account for slightly over one-third of total U.S. agricultural imports. Fiscal 1974 imports of these items were valued at \$3.27 billion, 25 percent higher than in fiscal 1973, because of higher prices. Measured by a quantity index, however, volume declined about 3 percent. Volume was lower for coffee, cocoa products, fibers, black pepper, and carpet wool.

3. Import Duties on Agricultural Products Are Low. During calendar year 1973, customs duties on imported agricultural products averaged 4.2 percent ad valorem equivalent. Duty rates declined in 1973 as a result of tariff reductions agreed to in 1967. When duty reductions began, ad valorem equivalent rates averaged 5.8 percent. For dutiable items--which accounted for 60 percent of agricultural imports--ad valorem equivalent duties averaged 7.0 percent compared with 10.5

percent in 1968. Duty-free items such as coffee, cocoa, tea, rubber, bananas, most edible nuts, copra, palm oil, most essential oils, spices, hard fibers, carpet wools, and hides made up the remainder.

4. Some Agricultural Imports are Subject to Quantitative Restrictions. Certain commodity imports are limited by quotas set by Section 22 of the Agricultural Adjustment Act. Wheat, wheat products, cotton, cotton products, peanuts, and some dairy products are covered by annual import quotas under this section.

The import quota for colby cheese was raised by 100 million pounds in January 1974. Nonfat dry milk quotas were increased 330 million pounds in several actions; July 19, 1973 (80 million pounds), August 29, 1973 (100 million pounds), and May 4, 1974 (150 million pounds). During 1973/74, 296 million pounds of nonfat dry milk entered, or 34 million pounds less than quota authorizations. Butter import quotas were raised by 55 million pounds and butteroil by 25 million pounds in November 1973.

Wheat import quotas were temporarily suspended in January 1974. This suspension was extended for an indefinite time period in June 1974. Sugar imports are regulated by the Sugar Act of 1948 as amended, which limits annual import volume by country. In 1973/74, relatively large import quantities were approved on a first-come, first-served country basis. Provisions to restrict certain meat imports under Public Law 88-482 have been suspended since July 1972.

INTERNATIONAL TRADE

The International Trade Policy program area coordinates and directs the Department's responsibilities in international trade agreement programs and negotiations, with a specific goal of expanding world trade of American agricultural products. The program area identifies and maintains an ongoing activity to reduce foreign trade barriers and practices which discourage the imports of U.S. farm products. A program of import controls is administered on foreign farm products which would render ineffective or materially interfere with Department programs relating to agricultural commodities. A special staff administers the US/USSR Agreement on Cooperation in the Field of Agriculture, which involves an exchange of technical and economic information with the Soviet Union. Passage of the Trade Act of 1974 gives this program area new importance, since it will be vitally involved with the upcoming Multilateral Trade Negotiations.

A. Objective: To Provide Policy Guidance to the U.S. Negotiating Team During the Multilateral Trade Negotiations.

1. Trade Negotiations Committee. The Trade Negotiations Committee approved in February 1974 a program of work for the preparatory, analytical phase of the negotiations. By October 1974 this work had been largely completed through several meetings of committee subgroups concerned with tariffs, nontariff barriers, sector negotiations, safeguards, agriculture, and tropical products. The subgroup concerned with agriculture has reviewed recent changes in the supply and demand of certain basic agricultural commodities with a view to identifying

trade problems concerning these commodities. The subgroup concerned with tropical products has reviewed import barriers restricting trade in items of particular interest to developing countries.

2. Automated Data Base. An automated data base on tariffs, non-tariff barriers and trade has been designed to provide information to negotiators and to permit analysis by computer of tariffs and trade flows, for use in the multilateral trade negotiations. The data base is presently designed to cover 26 countries which account for nearly 85 percent of U.S. commercial agricultural exports to MTN participants and over 60 percent of U.S. agricultural imports from MTN participants.

3. Private Sector Participation. As required under the proposed Trade Reform Act, private sector advisory committees are being established to serve during the Multilateral Trade Negotiations. The primary function of these committees will be to give technical advice to U.S. negotiators concerning the potential impact of U.S. and foreign trade concessions on the U.S. farm industry. The committees include an Agricultural Policy Advisory Committee, and Technical Advisory Committees for cotton, dairy products, fruits and vegetables, grain and feed, livestock and livestock products, oilseeds and products, poultry, and tobacco.

B. Objective: To Improve Capabilities for Negotiating Bilaterally on Individual Trade Barriers.

1. Suspension Obtained of European Community Restrictions on Imports of American Wines. Under the EC Common Agricultural Policy for Wine, restrictive import certification requirements became effective in October 1973; the effect is to exclude many American wines from the European market. Although U.S. wine exports have been small, the restriction of trade is important in principle. American producers have only recently become interested in developing export markets, and the EC rules are in direct contrast to liberal U.S. treatment of wine imports. FAS/USDA participated prominently in bilateral efforts to obtain an exception for American wines. This succeeded in July 1974, effective for the remainder of the calendar year and with further extensions indicated. In addition, admission of individual shipments was obtained during the October 1973-July 1974 interim.

2. Scheduled U.S. Regulatory Changes Governing Wine Imports Harmonized with Trade Policy Objectives. On January 1, 1975, the Bureau of Alcohol, Tobacco and Firearms, Treasury Department, will initiate a staged conversion of fill standards (bottle sizes) for wine to metric measurements, and will begin phasing out the exemption previously accorded foreign wines. The standards, although metric, differ from those now operative in most wine producing countries; consequently, wine imports (the annual level of which is \$250-300 million) would be largely prohibited. To prevent such trade disruption and almost certain retaliation by foreign governments, the principally interested executive agencies, including USDA, have been working with Treasury and foreign governments, particularly the EC, to develop a timetable allowing foreign suppliers a reasonable period to make the necessary complicated and costly adjustments.

3. Trade Liberalization During 1974:

a. Canada temporarily suspended the duties on pitted prunes and cranberries as compensation to the United States for the temporary imposition of a variable import surtax on fresh sweet cherries.

b. The EC agreed not to reclassify par-boiled rice as a processed food under the Common External Tariff. Reclassification would have resulted in a 13 percent duty plus a substantial variable levy. Par-boiled rice currently enters at zero.

c. France considered instituting licensing and quota restrictions on imports of horsemeat which could have possibly closed the EC market completely. However, the U.S. has been assured that exports would continue to that market.

d. Italy has exempted almost all agricultural products from its 50 percent import deposit scheme.

e. South Africa, at the conclusion of a GATT Article XXVIII negotiation, agreed to reduce and bind its tariff on milled rice by 46 percent. South Africa is the second largest rice export market for the U.S. and exports totaled \$23 million in 1973.

f. Spain, in September 1973, placed imports of soybeans and soybean meal under its variable levy system. This action threatened not only to impair our low bindings on both soybeans and meal (5 percent and 2 percent respectively) but also to have a depressing effect on the Spanish livestock feeding industry. In November we also learned of a rebate system under which Spanish soybean crushers were permitted to sell their meal at an exorbitant price, collect a large crushing margin, and rebate the proceeds to the Government. The variable levy/rebate system was illegal. Appropriate action taken by the U.S. resulted in Spain's reducing its levies on soybeans and meal to nominal levels, well below its GATT bindings.

4. US-EC Bilateral Consultations Continue to Take Place Every Half Year. Discussions held in June were regarded as a wrap-up after the settlement of EC-Enlargement negotiations, and were to set the tone for major issues coming up in the MTN. Agriculture was treated in the context of commodity supply and access problems and food aid; more specific issues which create irritants between the EC and the U.S.--for example, European dairy subsidies and U.S. countervailing duty action, the soybean CAP, access for poultry, new wine regulations on both sides--were also clarified.

A number of high level meetings were also held on these issues in August, September and November. Meetings in Washington this summer helped to clarify the Commission's intentions with respect to preferential arrangements with associated LDC's.

C. Objective: To Develop Support for Increasing Trade Relations With Eastern Europe and the People's Republic of China.

1. US-USSR Agreement on Agricultural Cooperation. Since the November 1973 meeting of the US-USSR Joint Committee on Agricultural Cooperation, the US-USSR Joint Working Group on Agricultural Economic Research and Information met twice and the two countries exchanged teams in the field of agricultural economics to study crop conditions and exchange information on forecasting techniques. Exchanges of economic data were initiated but progress in this area has been somewhat slower than in other areas of the agreement. Of particular concern has been the Soviet reluctance to provide forward estimates of supply and demand for agricultural commodities and information on foreign trade plans. We are hopeful however that this type of data will be included in future exchanges.

2. US-Polish Joint Statement on the Development of Agricultural Trade. On October 8, 1974, Assistant Secretary of Agriculture Clayton Yeutter and First Deputy Minister of Trade and Maritime Economy Henryk Kisiel signed a Joint Statement designed to facilitate the expansion of agricultural trade between the U.S. and Poland. The Statement which was negotiated at the fourth session of the US-Polish Joint Commission for Trade in Washington September 9-10 provides for the exchange of economic information including forward estimates of supply, demand and trade. In addition, Poland agreed to provide the Department of Agriculture with lists of U.S. products it intends to purchase over a 3-year period, with annual updates.

The U.S. regards the acquisition of this type of information as crucial to the maintenance of world market stability, and to the expansion of trade with socialist countries. In this context, the Joint Statement represents an important breakthrough for, in signing the Statement, Poland acknowledged the overall importance of this kind of exchange and offered the information despite the traditional aversion of centrally planned economy countries to providing the West with this kind of data.

In recent years, the US-Polish agricultural trade has grown dramatically. Since 1970 U.S. agricultural exports to Poland have increased sixfold, making Poland our major farm market in Eastern Europe.

3. East-West Trade. The USSR and Polish experience reflects a trend toward the development of improved agricultural relations with socialist countries.

In recent years, U.S. agricultural trade with these countries has grown substantially, reaching \$2 billion in fiscal year 1974. As trade increases, both sides are recognizing the need for closer cooperation on trade matters and are seeking ways to reach agreement on the removal of trade barriers. Secretary Butz has met with top level Bulgarian and Hungarian leaders, and an early 1975 meeting with Romanian Minister of Agriculture Miculescu is possible.

The outlook for further East-West agricultural trade expansion is dependent upon several factors, among which crop harvests in the USSR

and the People's Republic of China and the removal of trade barriers such as the lack of MFN treatment are the most important.

We have achieved also some progress in the area of economic information exchange. Should this continue and the MFN issue be successfully resolved, the prospects for further East-West agricultural trade expansion will brighten considerably.

D. Objective: To Develop Support for Agriculture's Participation in International Commodity Policy Issues.

1. Multilateral Consultations in OECD. In 1974, the United States has made use of the Organization for Economic Cooperation and Development (OECD) as a forum for general economic issues, including the examination of policy changes affecting the agricultural sector.

The OECD serves as an important forum for discussions among the principal trading partners (the United States, the European Community, and Japan) of issues that are the eventual subject to negotiations in the GATT forum. As such, it serves as a meeting place for exchanges of views on international commodity policy, both with respect to specific commodities and general overall policy. This past year, this included the policies of the developed countries with respect to commodity issues involving the less developed countries, including those raised in meetings of UN bodies such as the UNCTAD and the Special Session on Raw Materials. In May, the OECD members endorsed a declaration calling for a one-year standstill of trade measures, both import and export, to avoid competitive reactions to the balance of payments deficits caused by spiralling oil prices.

2. Multilateral Consultations in FAO and World Food Conference. The FAO has become one of the chief forums for discussion of the world food problem. The proposal by FAO Secretary General Adeke Boerma for an International Undertaking on World Food Security thrust the FAO into center stage of efforts to alleviate the world food shortage. A special working group was convened to prepare an internationally accepted draft of the Undertaking. The draft was subsequently approved by the FAO Council in October and formally submitted to the World Food Conference which met in Rome November 5-16, 1974.

Of great interest in the Undertaking was the proposal for an internationally coordinated system of national reserves for grains.

This proposal became one of the chief objectives of the World Food Conference. The Conference made great progress toward such a system and negotiations will continue in various forums, not the least of which is the FAO.

3. European Community--African, Caribbean and Pacific Countries Negotiations. The European Community is negotiating an association agreement with African, Caribbean and Pacific (ACP) countries. Negotiations are at a crucial stage with many issues still unclear and unresolved. Among the most important to agriculture are: the list of ACP country products to be given special preferences when exported

to the EC, the scope of country membership in the agreement, and the operation of the proposed export return stabilization scheme (STABEX).

The U.S. is now obtaining clarification of the many unresolved issues and consulting closely with the EC on developments as they occur. In response to U.S. concerns about this agreement the EC has agreed to seek solutions with the U.S. where the special preferences may cause significant problems for U.S. trade, to establish geographic limits for membership and not to seek reverse preferences from the member countries.

E. Objective: To Improve Operations of the Section 22 Import Licensing Procedure.

Dairy Imports. Extension of the utilization of automatic data processing equipment in the administration of dairy import licensing continued, permitting carrying of a full workload with fewer personnel. Other major projects to further increase efficiency now in progress include: (a) cooperation with a GAO team in a critical review of Section 22 procedures and policies, and (b) a joint project with the U.S. Customs Service to harmonize the applicable regulations in order to improve the execution of quota controls at ports of entry.

AGRICULTURAL ATTACHES

The Service's Agricultural Attaches are the official representatives of American agricultural interests abroad. In addition to the various representational duties which this role implies, the Attaches assist in all of the other functions of the agency. As the Service's representatives in 63 foreign posts, the Attaches serve as an agricultural intelligence system, reporting on developments in the agricultural trade and commodity situations through over 3,500 reports annually. The Attaches assist in market development activities, and are often instrumental in negotiations with agricultural ministries where they are posted. Assistance to countries desiring P.L. 480 shipments, and to various other USDA agencies with interests abroad are also included in the Attache's activities.

A. Objective: Collect, analyze, and report essential agricultural intelligence.

1. Agricultural Energy Crisis Reporting in Canada. From fall 1973 and continuing through the late spring 1974, the Agricultural Attache reported in depth on the energy crisis and its potential impact on agricultural production and trade in Canada. Special reports from nearly all Attaches around the world were submitted to Washington on this critical problem. This timely and comprehensive reporting significantly contributed to Washington's evaluation of the U.S. energy demand and supply situation in the agricultural sector. The Ottawa Attache arranged an exchange of instructions and advice for farmers in conserving energy and cutting energy costs between the U.S. and Canadian agricultural officials.

2. Attache Reports Assist MTN Preparations. FAS cabled a number of Attache posts last spring requesting special evaluations of probable

MTN requests and offers of host countries in the forthcoming GATT negotiations. Responses were received from some 30 countries. Attaches replies were very useful and reflected the trade policy expertise the Attache has in his respective country of assignment. The evaluations from Rome, Bangkok, Mexico City, and Wellington were particularly useful because recommendations were accompanied by commodity situation reviews as well as a summary on host country positions on farm trade liberalization.

3. Market Intelligence Stabilizes Prices to Consumer. Attaches in Indonesia, India, Pakistan, the Philippines supplied essential information, both current and forward, on tea, jute, pepper, sugar, hemp, and other tropical imports vital to the U.S. consumer. Production and market intelligence is collected and analyzed by these Attaches. Further analysis and collation by FAS, Washington specialists results in the publication and dissemination of world supply situation publications. Distribution of this information to both the trade and to the producing countries has a stabilizing influence on both prices and supplies of such essential supplementary import products.

B. Trade Objectives: Maximization of trade access for U.S. products; implementation of statutory import and export control requirements.

1. Germany Reserves Right to Reconsider EC Common Agricultural Policy on Soybeans. Concerted representations by the Attache convinced the Federal Republic of Germany that a Common Agricultural Policy (CAP) on soybeans would be detrimental to the best interests of Germany (and the United States). The end result was that Germany insisted that the CAP for soybeans be reconsidered in future discussions. The value of this trade exceeds \$600 million annually.

2. Iran's Animal Health Import Ban Removal. The Agricultural Attache was instrumental in bringing about a revision in Iranian animal health import regulations. This allowed the U.S. to ship sizable numbers of American dairy and beef animals to that country last year. Until these changes were made, APHIS export certifications of U.S. animals could not meet Iran's animal health import requirements. The U.S. expects to export about 5,000 head of U.S. breeding animals to Iran each year over the next four years.

3. Venezuela Attache Protects U.S. Wheat Marketing. To counteract Canada's intense efforts to capture a larger share of the traditional U.S. wheat market last year, the Attache office in Caracas undertook a concerted campaign to inform Venezuelans as fully as possible on U.S. wheat supply and price trends and the outlook for the use of export controls on wheat by our Government. Although a long-term bilateral purchase agreement with Canada was near, the Venezuelans were persuaded that the U.S. could and would continue to provide their country's normal wheat requirements. The efforts undertaken by the Agricultural Attache's office contributed greatly to the maintenance of this good market by the U.S.

C. Objective: Develop and maintain markets for U.S. farm exports.

1. Innovative Marketing Services in the U.K. A new program was initiated by the London Attache office during FY 1974 to make a series of specialized marketing services available to new-to-market U.S. companies. These include: profile briefings; food additive and label clearance; product usage tests; a special report on tariff duties; trade contacts; distribution of product samples; press services; and, in some cases, special functions. These services were provided to 44 U.S. companies and/or trade groups. Results include establishment of agency agreements; joint production or marketing ventures; and, in some cases, significant direct sales to U.K. food processors.

2. Big Effort Brings Big Results in Japan. Fruition of long-time FAS educational and promotional efforts in Japan, combined with a basic shift in consumer eating habits, has brought U.S. agricultural exports to that country to a level in FY 1974 of \$3.3 billion. The Attache office in Tokyo, which has come to represent the ultimate in USDA foreign market servicing and development, last year administered and coordinated a comprehensive agricultural market development program involving 23 cooperator projects. A very favorable ratio of .008¢ of promotion expenditures per dollar of sales was achieved. The mix of USDA and industry effort so successful in Japan is expected to achieve similar success in Korea, Hong Kong, Taiwan, the Philippines, and other Asian countries in the years ahead.

3. Persistent Effort Wins Cash Sales. The work of the Attache in Malaysia-Singapore typifies the beginning of market penetration for U.S. agriculture. This is a small cash market that imported \$75 million worth of U.S. food and agricultural products in 1974, nearly double the previous year's value. A part of this increase is traceable to direct Attache effort, using the tools developed by FAS such as the Trade Referral System, sample shipments, and retail food promotions.

4. Cooperative Efforts Sell Calves and Grain to Korea. The way the Attache works with cooperators in market development programs is exemplified in Korea where he provided leadership and guidance to the U.S. Feed Grains Council and cattle breed associations. Through their joint efforts Korean business and agricultural interests developed a beef cattle feed lot industry, utilizing U.S. calves and U.S. grains.

D. Objective: Facilitate U.S. agricultural research efforts abroad, and coordinate other food, technological and related activities with which the agency is concerned.

1. USDA Research in Yugoslavia. The Agricultural Research Service (ARS) currently has 72 research projects in Yugoslavia which operate under the Special Foreign Currency Program or under the mutually funded US/GOY Joint Board which was recently formed with remaining P.L. 480 excess dinars. Attaches assisted extensively in setting up the Joint Board in 1973. Attaches in Belgrade and in other countries with similar programs perform many liaison and service functions which help to keep research efforts running smoothly.

2. ARS Plant Collection Program. Maytansine, one of the most promising new cancer drugs under development, is derived from a plant

which grows in Costa Rica and Kenya. By obtaining necessary GOCR and GOK authorizations, and through making extensive logistical arrangements, our Attaches in the two countries have rendered critical assistance to an ARS unit which collects the plant for the Cancer Institute of the National Institutes of Health. Attaches in 19 countries assist ARS in the searches of this sort for plant substances which may aid in the fight against cancer.

3. Bangladesh--Largest Recipient of U.S. Food Aid. Recent floods have made the critical food shortage in this country even more desperate. The Attache in Dacca is devoting a substantial portion of his time to U.S. food aid shipments under the P.L. 480 program and related matters. 353,000 tons of U.S. farm commodities were allocated to Bangladesh in FY 1974, the largest food aid country allocation made by our country during the year. The Attache's detailed, accurate reporting on the situation has enabled USDA, AID and the Department of State to act both expeditiously and realistically in a period of curtailed availability of American commodities for food relief purposes.

E. Objective: Safeguard U.S. agriculture from foreign disease, and assist in the protection of U.S. consumers.

1. US-Colombia FMD Agreement. As a result partly of the work of the Agricultural Attache in Bogota, the U.S. and Colombia agreed to establish a program to help protect the U.S. livestock industry from foot-and-mouth disease (FMD). The agreement, which was announced on January 3, 1974, is part of a joint effort by the U.S., Colombia, and Panama to protect livestock in Central and North America from the threat of FMD crossing the Darien Gap, a 250 mile wide area of dense jungle and swamp between Panama and Colombia.

2. Attache in Argentina Supports APHIS Meat Inspection Program. The Attaches in Argentina, and other meat exporting countries, provide essential liaison between USDA and the host governments. Often the value of meat exports to the U.S. from these countries makes up a large part of their foreign exchange earnings and keeping the U.S. mission fully appraised of progress in this operation is therefore important. Our Attache in Buenos Aires was instrumental in recent negotiations between APHIS and Argentine officials which prevented loss of export rights of a large percentage of the meat plants in that country and simultaneously resulted in better protection of U.S. consumers.

3. Pyrethrum: A Good or Bad Pesticide? The United States imports sizable quantities of pyrethrum from Kenya which is used as an active ingredient in the manufacture of insecticides. The Attache in Nairobi took an active part in recent Environmental Protection Agency hearings on the possible toxic effects of pyrethrum on humans. He furnished information needed by the EPA for the proceedings and served as liaison between U.S. and Kenyan interests.

F. Objective: Program or service visits of Americans abroad and travel of foreigners to the U.S., which are important to U.S. agricultural interests.

1. Attache Office Visitor Assistance. Visitors to Attache offices throughout the world in FY 1974 numbered in excess of 20,000 persons. The major share of these individuals called on official business of various types. As might be expected, the Tokyo and London Attaches received the greatest number of visitors. The official visitors to these two posts alone numbered close to 900.

2. Foreign Visitor and Representation Staff Activities. FAS Attaches abroad and offices in Washington receive frequent requests for itinerary planning and other assistance from foreign visitors to the U.S. Such requests are serviced by a new special FAS staff in the Office of the Assistant Administrator for Agricultural Attaches. Travel and appointment schedules or other programs were developed by this staff for over 200 such visitors in the first quarter of the current fiscal year.

FOREIGN MARKET DEVELOPMENT

The FAS Foreign Market Development program, aimed at commercial export market expansion, is being carried out in cooperation with more than 60 agricultural trade and producer groups. Virtually every U.S. farm product entering into world trade is represented in activities which reach into more than 70 countries around the globe. Export promotional activities jointly financed with cooperators include advertising, merchandizing, trade servicing, training and educational programs, seminars, demonstrations, international trade exhibits, and trade missions to and from the United States. In addition, FAS holds its own trade fairs and operates the Trade Operations Referral Service and provides other assistance designed to put potential buyers in contact with U.S. exporters.

A. Objective: Work with market development cooperators to develop new markets and expand existing markets on a commodity-by-commodity basis.

1. Japanese Restaurant Features U.S. Turkey Meat. After the successful introduction of U.S. turkey meat to the Sapporo Restaurant trade through numerous trade meetings and the American Foods Exhibit by the Poultry and Egg Institute of America, a new restaurant in Sapporo named "Wishbone" opened featuring U.S. turkey. Practically all menu items utilize U.S. turkey meat--turkey curry, fried turkey, turkey burger, etc. Whole turkeys and half turkeys are available as carryout items.

2. U.S. Poultry Finds New Market Opportunity in Hong Kong. Following market research and test marketing by the Poultry and Egg Institute of America and FAS, a Hong Kong company now imports U.S. poultry meat to be used by its own processing plant to produce shaomai (a small pastry containing chicken, shrimp, pork, and onion). One ton of U.S. deboned chicken meat is currently used every 6 days. The company is now working on ready-to-serve Chinese style dinners utilizing U.S. turkey meat. Two new products have been recently developed--a Chinese style turkey dinner and a lemon chicken Chinese dish, both utilizing U.S. poultry meat and both having received taste panel acceptance.

3. Eastern Europe Promising New Market for U.S. Soybeans. Governments in Eastern Europe have in recent years been placing increasing emphasis on the need for increasing and intensifying livestock and poultry production. The American Soybean Association is helping foster this development by entering into third-party participation agreements for U.S. soybean market development activities in Yugoslavia, Poland, Hungary, and Czechoslovakia. These four countries have historically imported small but growing amounts of protein additives. In September 1974, ASA opened an office in Vienna so as to provide better service to Eastern Europe. Principal marketing activities include distribution of educational materials, providing U.S. technical assistance for producers of livestock and poultry, feeding demonstrations, and Eastern European team travel to the United States.

4. Long-term Trade Agreement Assures U.S. Producers of Sizable Portion of Norwegian Grain Imports. Great Plains Wheat was instrumental in bringing about a three-year trade agreement beginning October 1, 1975 between six grain exporting firms (including a producers' cooperative) and the Norwegian Grain Corporation. The agreement assures U.S. producers of a significant share of Norway's grain imports and is a good example of market servicing activity having long-term benefits to the U.S. Similar long-term supply agreements with other importing countries are expected to develop following the successful conclusion of this one with Norway.

5. Soy-Fortified Tortillas, Bolillo, and other Soy Foods Popular Among Mexican Consumers. Working with local bakers and other trade contacts, the American Soybean Association (ASA) has worked to increase the use of soy protein in tortillas and other traditional Mexican foods. As part of a market test, soy-fortified tortillas and other similar local foods were distributed among consumers attending an annual Home Fair and selected public markets. Products sampled were overwhelmingly accepted and the Government of Mexico is now providing financial assistance to companies interested in producing soy-fortified Mexican foods. As a result of these and other efforts, U.S. exports of soybeans to Mexico have risen in value from \$10 million in FY 1973 to \$59 million in FY 1974. The ASA now plans to extend promotional efforts to other Central and South American countries.

B. Objective: Provide U.S. and foreign tradesmen with services necessary to build and maintain overseas markets for products which cannot be promoted on a commodity-by-commodity basis.

1. Cotton Orientation. In October and November 1974 the Cotton Council International (CCI) conducted the 7th annual U.S. cotton orientation program for foreign spinners representing mills in cotton importing countries. The program, designed to show the representatives how U.S. cotton is bred, grown, harvested, ginned, graded, and handled, covered the major cotton producing and exporting states from Mississippi to California. The foreign representatives selected have a primary influence on mill purchases of U.S. cotton and are asked to report on the activities to the spinning industry in their home countries. The personal buyer-seller relationships fostered by this program make well informed friends for U.S. cotton. Each year the CCI has been advised by participants that the opportunities for maintaining and expanding U.S. cotton exports have been strengthened because of the program.

2. EUSAFEC Office Opens in New York City. To assist in the development of foreign markets for agricultural products from the region, the Eastern U.S. Agricultural and Food Export Council (EUSAFEC) opened an office in the World Trade Center Building in New York City on July 1, 1974. This office coordinates the export activities of the 11 North-eastern State Departments of Agriculture in close cooperation with USDA.

3. U.S. Food Exhibit in the Southern Caribbean. During June 1974, FAS sponsored two-day exhibits of U.S. processed foods in Barbados and Curacao which featured over 1,700 different processed food items from 36 U.S. companies. Over 1,600 key buyers representing importers, distributors, supermarkets, and the hotel and restaurant trade attended the shows. On-site sales were estimated at \$241,000 with \$1.9 million in sales projected by the exhibitors in the 12 months following the shows. Of particular significance is the fact that 43 agency arrangements were finalized at the shows to represent U.S. firms and food products in the Southern Caribbean market.

4. Trade Opportunity Referral Service (TORS). About 900 firms have been added to the TORS computerized listing of U.S. suppliers of agricultural commodities since July 1, 1973. This listing now includes some 3,100 domestic agricultural suppliers from 47 states.

During FY 1974, 1,619 foreign trade inquiries were processed through the TORS operation. This compares with 1,306 leads in FY 1973. 57 sales totalling over \$8.8 million were documented in FY 1974 as a result of leads generated by the TORS system.

5. Food Exhibit - Tokyo Ryutsu Center, Japan. One hundred seventeen American food processors, importers and handlers, representing more than 160 American firms and six FAS cooperator organizations, displayed over 3,000 products during the American Food Festival held at the Tokyo Ryutsu Center in April 1974. Off-the-floor sales reported by the exhibitors totaled \$1,254,000 and exhibitors estimated their sales for the 12 months following the show to exceed \$26 million.

C. Objective: Continue systematic review and analysis of foreign markets to find new opportunities for U.S. agriculture; help to reduce trade barriers and develop long-range promotional plans for such markets.

1. New Cooperator Agreement to Promote Exports of U.S. Frozen Bovine Semen. The first activity under the new market development cooperator agreement with the National Association of Animal Breeders is the dispatch of a technical team, composed of an artificial insemination industry veterinarian, an industry geneticist, and a USDA veterinarian, to several Western European countries. The team's aim is to reduce existing trade barriers in the form of foreign veterinary regulations which hamper our exports of U.S. frozen semen to those countries.

2. Panel Taste Testing Underway. A contract was signed in Sweden to conduct panel taste tests for consumer acceptance of U.S. food products. Twenty U.S. companies have participated in this now on-going program. This program will also assist U.S. firms in establishing contacts with importers and agents handling U.S. food lines.

A contract for panel taste testing has also been signed in Japan and the program will be implemented in Belgium, Austria, Switzerland, Germany, Spain, Norway, Denmark, and the United Kingdom during FY 1975.

3. Product Identification Studies. This past year FAS, in cooperation with the National Association of the State Departments of Agriculture, conducted product identification studies in Brazil, Nigeria, the Caribbean, and the Middle East. Market opportunities in each country were identified and lists were compiled of potential products in the country along with lists of key importers, wholesalers, retailers, and end users of U.S. food products.

In Saudi Arabia, Bahrain, and Kuwait, for example, the study revealed sales opportunities for rice, cooking oil, canned fruits, fruit juices, frozen vegetables, frozen poultry parts, honey and syrups and many other food products of U.S. origin. It also revealed a strong demand for joint ventures with U.S. firms for the production, processing, packaging, and distribution of food products.

FOREIGN COMMODITY ANALYSIS

The Foreign Commodity Analysis program area is responsible for providing data relating to foreign demand, supply, production and distribution of agricultural commodities. Data is collected from routine field reports furnished by the Attache Service, from special field investigations carried on by our Washington analysts, and from various other public and private sources. Modern economic analytical tools are used to examine the data and produce summaries of the world commodity situation on a country and area basis, and to make short-term forecasts. Fluctuations of prices, demand and supply, and their potential impact on American exports are a particular focus of FAS studies. Reports and analyses are distributed to the agribusiness world through various means, including several FAS publications and participation by our specialists in various trade conferences.

A. Objective: To improve analytical capabilities with a view to providing greater in depth analysis and increased reliability of predictive estimates.

1. Automation of Supply, Distribution, and Production Data. During the past year considerable progress has been made in automation of production, supply, and distribution data. Complete distribution and supply data has been added for fluid milk, nonfat dry milk, butter, and cheese. Production data has been added for about 20 oilseeds and products, and supply and distribution data are being added. A capability for computing oil and meal equivalents from seed is planned, and this should save considerable time.

2. Tobacco Competition Studies in Brazil and Mexico. Competition studies were conducted in Brazil and Mexico early in FY 1975. The Brazilian study revealed potential for substantial expansion of flue-cured and burley production in traditional production areas, but much of the increase will be absorbed by expected rises in domestic cigarette manufacture and sales. Export expansion of these varieties will depend on increases in nontraditional areas. Cigar tobacco production in the State of Bahia shows promise but commercial production of the quantity and quality necessary for export expansion are not expected soon.

Effects of the recent Mexicanization of tobacco were studied in that country. This revealed little change in the operation of cigarette companies, but potentially far reaching effects on leaf production. A new government agency has assumed control of production and marketing. The future export industry could suffer if quality maintenance is not commensurate with price increases.

3. Possible Two-Way Tobacco Trade with the USSR. The USSR is a major producer of oriental and semi-oriental tobaccos and imports significant quantities of flue-cured and burley tobaccos. Since the U.S. is a major producer and exporter of flue-cured and burley and imports oriental tobacco, there has been an increasing interest in a two-way trade. A U.S. tobacco team visited the USSR in September 1973, and discussed the possibility with officials from the Ministries of Food Trade, Agriculture, and Foreign Trade. Production areas were also visited. A Soviet team is expected to visit in the fall, 1975. There appears to be a good basis for trade in tobacco, and the possibility will be considerably enhanced if the Soviet Union is granted MFN status and Ex-Imbank credits.

4. Changing Markets for Sugar and Coffee Analyzed. Changing world market situations for sugar and coffee have required special analysis. The supply-demand situation for sugar has been tightened by aggressive buying by Middle East countries as well as by poor weather in several beet producing countries. The resulting sky-rocketing prices coupled with uncertainty following expiration of the U.S. Sugar Act on December 31, 1974, have made study of the market and forecasting extremely important. Coffee prices have not had a wide fluctuation in the past year. However, the expiration of the International Coffee Agreement on September 30, 1973 has encouraged producing countries to organize and take measures to bolster prices. Evaluations have been made of these actions as well as the possibilities of a new International Coffee Agreement.

5. Brazil Oilseed Study. The Brazilian oilseed situation is under study. Brazil is our most important competitor in soybeans and products and her production has been growing at an annual rate of about 30 percent to the detriment of U.S. exports to traditional markets. The study will include: production patterns, competition and availability of land, acreage and yield patterns, research, production costs, oilseed processing industry, storage facilities, transportation problems, and the development of the mixed feed industry. It will focus on production and export projections through 1980.

Castorbeans, for which Brazil is the world's largest producer, will also be studied.

6. World Beef and Cattle Situation. The rapidly deteriorating U.S. and world beef situation of over-supply, depressed prices and trade embargoes along with a doubling and tripling of input costs has required an increased effort for statistical and economic information. Special efforts were made to expand and improve data on livestock numbers, slaughter, meat production and trade. The analysis from this information has been used to prepare a large number of articles, papers, speeches and responses to letters.

7. Beef Imports. The financial havoc in the U.S. cattle industry has resulted in tremendous pressure on beef imports. The FAS Livestock Division has stepped up information on world conditions, particularly in supplying countries to the U.S. market. In addition, market prices, shipping data and import policy changes have been closely observed. The analysis of this information has been continually made available to the Department, Government, industry and others interested.

8. Tomato Processing Intelligence. In order to provide greater intelligence for the U.S. tomato processing industry, the Fruit and Vegetable Division, FAS, is now in the process of expanding its coverage of tomato processing operations around the world. The number of countries for which in-depth reports will be gathered is being expanded from 5 to 13. Many of the countries added are now or threaten to become key competitors in Canada, our only export market of any high significance, as well as becoming participants in the U.S. domestic market.

9. Canned Peach Exports. A scheduled attache report is now being initiated for canned fruits produced in Greece with special emphasis on canned peaches. U.S. canned peaches, an important dollar earner in U.S. horticultural exports, once accounted for nearly 90 percent of the imports into West Germany--one of the world's largest consuming markets. Today, the United States has been reduced to a far secondary role (15 percent) in that market and Greece is now the leading supplier. Because of its associate status in the European Community, Greece now enjoys duty-free treatment in EC markets.

10. TCK Smut Contamination in Wheat Shipments to the People's Republic of China (PRC) Handled. Last fall when the problem of TCK smut contamination of U.S. wheat shipments to the People's Republic of China caused suspension of shipments of U.S. wheat to the PRC, a USDA task force was formed under FAS leadership to solve the problem. The task force investigated the complex problem, made arrangements for a mission to travel to Peking to discuss the situation, assisted in arriving at a workable agreement between the shippers and receivers, and coordinated the actions following the agreement. As a result, shipments of wheat from the U.S. to the PRC were resumed.

11. Coordinated Livestock - Feed-Use Survey. In October 1974 four commodity divisions cooperated in a coordinated livestock and feed-use

survey covering 13 countries in North America, Europe and the Far East. The information gathered in this survey supplemented routine submissions of agricultural attaches and facilitated critical adjustments to estimates of grain import needs in important livestock feeding countries. The broader base of a multi-commodity effort provides the means for a more comprehensive analysis of the world situation relating to the various commodity interests represented in the survey.

12. Cotton in the European Community. A study has been completed of the cotton textile industries of selected Western European countries in the summer of 1974. The study confirmed that consumer demand for cotton textiles in the enlarged European Community has held up much better than mill consumption of raw cotton and that the U.S. has sustained a severe loss in its market share of the shrinking market for raw cotton in the Community. Nevertheless, the European Community is still, and will continue to be, a large market for raw cotton. On the basis of material developed in the study there is reason to believe that the U.S. cotton industry would find it worthwhile to develop new marketing approaches which are not dependent on increased cotton usage by European mills.

B. Objective: To carry out joint projects with ERS to improve analytical capabilities and in support of experimental methods for achieving and perfecting new methods for the collection and analysis of intelligence.

1. Congressional Dairy Import Study. In 1974 Congress requested a study of the effects of dairy imports into the U.S. Responsibility for the project was delegated to the Economic Research Service (ERS). FAS assisted through provision of forecasts of effects of alternative quota policies, and aided in preparation of the Department's report. The investigation necessitated travel to Europe and Oceania, and the Attache Service assisted through communications with host governments, and in assuming many administrative burdens.

C. Objective: To provide support for U.S. participation in the Multilateral Trade Negotiations (MTN).

1. MTN Back-Up Data. Reports and Statistics Division is in the process of building an automated data base to support the MTN. At the present time it contains data for Japan, Canada, EC, and the United States. It contains tariff, trade, NTB, and much other information deemed necessary for the negotiations. Outputs from this system are used by the FCA economists in preparing offer and request lists. It is anticipated the computer printouts will be used in some form (possibly reduced to book size) at the negotiating table. The data base will also be on-line for queries during the negotiations.

PUBLIC LAW 480

In the Public Law 480 program, the Service is the operating area of the Department of Agriculture in those activities for which this Department has been assigned major responsibility within the Government. Title I programs are designed to assist in the economic devel-

opment of friendly countries and to otherwise serve foreign policy interests, as well as to expand exports through concessional sales. Title II programs provide various sorts of humanitarian assistance including aid in times of famine, promotion of community development, support of non-profit school lunch and preschool feeding programs, and aid under other circumstances.

A. Objective: To assist in foreign economic development, serve U.S. foreign policy objectives, and develop dollar export markets through food aid (Title I); and to provide humanitarian assistance under various circumstances (Title II).

1. P.L. 480 Shipment Levels Further Reduced in FY 1974. Tighter supplies and increasing prices of U.S. agricultural commodities were primarily responsible for a further reduction in P.L. 480 commodity shipment levels in FY 1974. About 3.2 million metric tons of all commodities were financed in that year, compared with about 7.1 million tons in FY 1973. Most of the reduction occurred in the Title I concessional sales program, down from 5.1 million tons in FY 1973 to 2.1 million tons. A dollar increase in food aid is planned for FY 1975 with quantity increases likely for wheat and rice, and decreases for feed grains and vegetable oil.

2. Fiscal 1974 P.L. 480 Commodity Costs Total \$849 Million. P.L. 480 commodity costs under Titles I and II totaled \$567 and \$282 million, respectively, in FY 1974. Shipments were made up primarily of rice (\$317 million), wheat and wheat products (\$252 million), feed grains and their products (\$101 million), and vegetable oil products (\$72 million). Related ocean transportation costs amounted to about \$112 million, down from \$161 million the previous year because of substantially lower commodity volumes shipped. While ocean freight costs for Title I shipments declined substantially, (where the U.S. pays only the difference between U.S. and foreign flag rates on volume required to be transported on U.S. vessels), average unit costs for the total program increased about 33 percent, reflecting higher rates on Title II tonnages (where the U.S. finances the entire cost).

COMMERCIAL EXPORT PROGRAMS

Under authority of the CCC Charter Act and related legislation, this program area formulates and administers the sales from CCC stocks, the export payment, the barter and the CCC export credit sales programs. Of these, only the last mentioned is active. Under Section 812 of the Agricultural Act of 1970, as amended, the program area receives and releases in compilation form, weekly reports on export sales and related data from exporters of 28 agricultural commodities. It also administers the voluntary approval and daily sales reporting system on seven commodities.

A. Objective: Increase exports of selected agricultural commodities to assist in meeting the Department's U.S. export goals.

1. Barter Program Suspended and Export Payments Program Abolished in FY 1974. The Barter Program was temporarily suspended as of July 1, 1973, because of a determination that the current world supply and

demand situation negates the need for use of barter export assistance to meet foreign competition. Present prospects make it unlikely that the program will be reactivated in the foreseeable future. Exports during FY 1974 (\$293.8 million) and FY 1975 (estimated at \$7.0 million) will complete existing barter contracts.

2. Financing Under CCC Credit Reduced in 1974. Agricultural exports under the CCC Export Credit Sales Program for FY 1974 amounted to \$298 million, a 71 percent reduction from the \$1,029 million in FY 1973. The CCC credit activity in 1974 was largely limited to countries where the U.S. had previous commitments and to emergency situations such as those in Chile and Pakistan. The restraints imposed on the CCC Credit Program operations in late 1973 produced the substantial reduction in financing operations.

B. Objective: Develop an export sales monitoring capability that will enable the Department to have prompt, accurate, and reliable data on export movements of selected agricultural commodities.

1. Monitoring of Export Sales in FY 1975. In October 1974, the Export Sales Reporting Program was assigned to FAS together with responsibility for the daily monitoring of significant export sales and the Voluntary Approval Program for significant export sales. These activities will make available to the Department, on a timely basis, information on the sale and movement of selected agricultural commodities and prevent major disruptions in the availability and export of these commodities.

Salaries and Expenses (Special Foreign Currency Program)

NOTE: The Budget Estimates do not propose an appropriation for 1976. The amounts for 1975 and 1976 reflect the use of unobligated balances carried over from prior years.

PROJECT STATEMENT

	:	1974	:	1975 (Estimated)	:	Increase or Decrease	:	1976 (Estimated)
Market development projects (Sec. 104(b) (1) obligations.....	:	\$ 296,734:	:	\$ 500,000:	:	\$ ---	:	\$ 500,000
Unobligated balance brought forward (-).....	:	3,016,252:	:	2,897,494:	:	+500,000	:	2,397,494
Recoveries of prior year obligations.....	:	-177,976:	:	---	:	---	:	---
Unobligated balance carried forward.....	:	2,897,494:	:	2,397,494:	:	-500,000	:	1,897,494
Total appropriation.....	:	---	:	---	:	---	:	---

For a discussion of market development projects, including those financed from this appropriation, see the Status of Program under Foreign Agricultural Service.

Use of Special Foreign Currency Appropriation:

Country	:	1974 actual	:	1975 est.	:	1976 est.
India	:	\$272,425	:	\$470,000	:	\$470,000
Pakistan	:	4,934	:	10,000	:	10,000
Poland	:	9,450	:	20,000	:	20,000
Yugoslavia	:	9,925	:	---	:	---
Total	:	\$296,734	:	\$500,000	:	\$500,000

PASSENGER MOTOR VEHICLES

The 1976 Budget Estimates propose the purchase of 9 additional passenger motor vehicles, 7 of which will replace light truck type vehicles.

The passenger motor vehicles and light truck vehicles of the Service are used exclusively by the agricultural attaches at selected overseas posts. The attache travels extensively throughout the countries assigned in gathering agricultural data.

Additional passenger motor vehicles. Nine additional passenger motor vehicles are requested for use by the agricultural attaches. Seven of these vehicles will replace vehicles in the light truck class which are no longer required due to better road conditions. The remaining two will be used by our Attaches in Rome, Italy and Vienna, Austria. The attache and assistants in Rome must now rely on the Embassy Pool vehicles or their personal automobiles for official travel within their areas of operation. A new attache office in Vienna, Austria was established during FY75 and will need an official passenger vehicle for carrying out the assignment responsibilities. The purchase of passenger vehicles is also more economical in original purchase price as well as reduced maintenance operation cost.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1974 is as follows:

<u>Age-Year</u> <u>Model</u>	<u>Age Data</u>		<u>Mileage Data</u>		
	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>	<u>Lifetime</u> <u>Mileage</u> (thousands)	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>
1974	2	100	Under 20	2	100
Total	<u>2</u>	<u>100</u>	Total	<u>2</u>	<u>100</u>

OFFICE OF THE SALES MANAGER

Purpose Statement

The Office of the Sales Manager was established December 6, 1974 by Secretary's Memorandum No. 1833, Supplement 2.

The Secretary's Memorandum establishes an independent Office of the Sales Manager for the Department to be headed by a Sales Manager who will report directly to the Secretary. The activities of the Sales Manager's office are as follows:

- Formulate policies for programs under section 5(f) of the CCC Charter Act (15 U.S.C. 714c(f) and section 4, Public Law 89-808 (7 U.S.C. 1707a) to finance commercial export credit sales of agricultural commodities by U.S. exporters.
- Formulate policies for barter programs, under which agricultural commodities are exported, under sections 4(h) and 5(f) of the CCC Charter Act (15 U.S.C. 714b(h) and 714c(f)) and section 303 of Public Law 480 (7 U.S.C. 1692).
- Formulate policy for sales programs for export of CCC-owned agricultural commodities, except for tobacco, peanuts, tung oil, and gum naval stores.
- Formulate policies for export payment programs (other than those under section 32, Public Law 320, 74th Congress (7 U.S.C. 612c)), and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

The Office functions through a central office in Washington, D.C. All management and program support required by the Office of the Sales Manager will be carried out through the personnel and facilities of the Foreign Agricultural Service.

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		Available 1975		1976	
	Amount	Years	Amount	Years	Amount	Years
Office of the	:	:	:	:	:	:
Sales Manager:	:	:	:	:	:	:
Obligations	:	:	:	:	:	:
under other	:	:	:	:	:	:
USDA approp-	:	:	:	:	:	:
riations:	:	:	:	:	:	:
Limitation	:	:	:	:	:	:
on adminis-	:	:	:	:	:	:
trative ex-	:	:	:	:	:	:
penses, Com-	:	:	:	:	:	:
modity Cre-	:	:	:	:	:	:
dit Corpor-	:	:	:	:	:	:
ation.....	\$ --	--	\$200,000	4	\$200,000	4
Total, Office	:	:	:	:	:	:
of the Sales	:	:	:	:	:	:
Manager.....	\$ --	--	\$200,000	4	\$200,000	4

END OF YEAR EMPLOYMENT:	1974	1975	1976
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Permanent full-time	--	4	4
Total	--	4	4

Office of the Sales Manager

Allotment from Commodity Credit Corporation

Available, 1975.....	\$ -0-
Allotment Estimate, 1976.....	<u>200,000</u>
Increase in Allotment.....	<u>\$+200,000</u>

Adjustments in 1975:

Allotment, 1975.....	\$ -0-
Transfer from FAS.....	200,000 ^{a/}
Adjusted Allotment, 1975.....	\$200,000
Allotment Estimate, 1976.....	<u>200,000</u>

^{a/}Pursuant to Secretary's Memorandum No. 1833, Supplement 2, dated December 6, 1974, the Office of the Sales Manager was established as an independent office directly under the Secretary. The amount shown represents a full year's cost for those activities.

PROJECT STATEMENT
(On Basis of Adjusted Allotment)

	:	:	1975	:	1976	
Project	:	1974	:(Estimated)	:	(Estimated)	
	:	:	:	:	:	
Office of Sales Manager.....	:	\$ --	:	\$200,000	:	\$200,000

EXPLANATION OF PROGRAM

The Sales Manager heads an independent office for the Department of Agriculture and reports directly to the Secretary of Agriculture.

The primary responsibility of the Sales Manager is to develop and institute policy relating to: (1) programs for financing commercial export credit sales; (2) Public Law 480; (3) barter programs; (4) sales programs for export of CCC-owned agricultural commodities as eligible and available; and (5) export payment programs and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

Management support functions required by the Office of the Sales Manager is provided through the personnel and facilities of the Foreign Agricultural Service.

Program support functions, such as provision of analysis and data on the world supply-demand situation and on foreign market access for and promotion of U.S. agricultural products required by the Office of the Sales Manager in formulating export sales policies, is provided through the personnel and facilities of the Foreign Agricultural Service.

In addition to the above indicated sales policy responsibilities to the Office of the Secretary, the Sales Manager works with the Foreign Agricultural Service for the purpose of supervising and directing the work of the Assistant Administrators for Commercial Export Programs, for P.L. 480 programs and for Foreign Market Development, the operational programs supporting our present sales and world food supply efforts.

The Office of the Sales Manager has been established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p.

TRANSITION BUDGET

Allocation from Commodity Credit Corporation
to Office of the Sales Manager

Transition Budget Estimate.....\$50,000

JUSTIFICATION OF T RANSITION ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

FOREIGN ASSISTANCE PROGRAM AND
SPECIAL EXPORT PROGRAM
(PUBLIC LAW 480)

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The laws also authorize appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual needs, the excess is used to reduce future appropriation requests. If the appropriations are less than actual needs, other Corporation funds may be used temporarily to finance the balance of the costs.

PUBLIC LAW 480

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended.

1. Sales of agricultural commodities for foreign currencies and for dollars on credit terms are made under title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended (7 U.S.C. 1701-1710).

Title I of the legislation authorizes sales for dollars on credit terms or for foreign currencies. Sales for dollars on credit terms may be made with foreign governments or U.S. and foreign private trade entities. Credit terms as favorable to the United States as the economy of the foreign country will permit but not less than for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended, are allowed under the legislation.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1725).--Commodities are supplied without cost to friendly nations and friendly peoples in times of famine or other emergency relief needs, to combat malnutrition, and to promote economic and community development in underdeveloped countries. The Corporation pays ocean freight on shipments under this title. Each year, up to \$7.5 million of foreign currencies accruing under title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

SPECIAL EXPORT PROGRAM

Bartered materials for supplemental stockpile (7 U.S.C. 1856).--Under title II of the Agricultural Act of 1956, the Corporation transferred strategic and other materials to the supplemental stockpile. These materials were acquired from the barter and exchange of farm products. This does not cover materials acquired for the national stockpile or for other purposes. No contracts for the supplemental stockpile have been signed since 1968 and none are planned. The last appropriation was enacted in the 1971 Agricultural Appropriation Act. This program was liquidated in fiscal year 1971 by application of CCC receipts from damages paid by barter contractors.

The program has now been redirected to reimbursable offshore procurement for other Government agencies instead of procurement for the supplemental stockpile. Effective at the beginning of fiscal year 1974, barter program contract negotiations were suspended. Estimated program costs for 1975 represent completion of shipments under contracts made prior to the suspension.

Available Funds, 1974
and Estimated 1975 and 1976

Item	1974	Available 1975	Budget Estimate, 1976
Foreign Assistance Programs (P.L. 480):			
Sales for foreign currencies and for dollars on credit terms (Title I)	\$578,110,370	\$1,106,055,490	\$912,700,000
Commodities supplied in connection with dispositions abroad (Title II)	384,841,685	505,654,965	406,181,000
Total program level	962,952,055	1,611,710,455	1,318,881,000
Costs financed from receipts, prior year balances and CCC funds (net)	-409,314,055	-833,237,455	17,136,000
Total appropriation (P.L. 480) ..	553,638,000	778,473,000	1,336,017,000

Public Law 480

	<u>Sale of Agricultural Commodities for Foreign Currencies and for Dollars on Credit Terms</u>	<u>Commodities Supplied in Connection with Dispositions Abroad</u>	<u>Total</u>
Appropriation Act, 1975 ...	\$425,175,000	\$353,298,000	\$778,473,000
Budget Estimate, 1976	<u>662,366,000</u>	<u>673,651,000</u>	<u>1,336,017,000</u>
Increase in Appropriation .	<u>+237,191,000</u>	<u>+320,353,000</u>	<u>+557,544,000</u>

SUMMARY OF INCREASES AND DECREASES
(On the basis of appropriation)

	<u>1975</u>	<u>Increase</u>	<u>1976 Estimate</u>
Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$425,175,000	+\$237,191,000	\$662,366,000
Commodities supplied in connection with dispositions abroad (Title II)	<u>353,298,000</u>	<u>+320,353,000</u>	<u>673,651,000</u>
Total, available	<u>778,473,000</u>	<u>+557,544,000</u>	<u>1,336,017,000</u>

PROJECT STATEMENT
(On the basis of appropriation)

Project	1974	1975	Increase or Decrease	1976 (estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$239,051,000	\$425,175,000	+\$237,191,000	\$662,366,000
2. Commodities supplied in connection with dispositions abroad (Title II)	314,587,000	353,298,000	+320,353,000	673,651,000
Total available or estimated	<u>553,638,000</u>	<u>778,473,000</u>	<u>+557,544,000</u>	<u>1,336,017,000</u>

The preceding project statement was prepared on an appropriation basis. The following schedule reflects obligations under available funds.

PROJECT STATEMENT
(On the basis of available funds)

Project	1974	1975 (Estimated)	Increase or Decrease	1976 (Estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I)	\$578,110,370	\$1,106,055,490	-\$193,355,490	\$912,700,000
2. Commodities supplied in connection with dispositions abroad (Title II)	384,841,685	505,654,965	-99,473,965	406,181,000
Total program level	962,952,055	1,611,710,455	-292,829,455	1,318,881,000
Adjustments to appropriations:				
Title I:				
Receipts from sale of foreign currencies and loan repayments used to finance the program.	-324,001,507	-260,100,000	+10,900,000	-249,200,000
Unobligated balances (includes balances in the Corporation):				
Brought forward	-302,217,353	-287,159,490	+287,159,490	- -
Carried forward	287,159,490	- -	- -	- -
Costs brought forward ..	- -	- -	+133,621,000	133,621,000
Costs carried forward ..	- -	-133,621,000	-1,134,000	-134,755,000
Title II:				
Costs brought forward ..	96,528,350	166,783,035	+152,356,965	319,140,000
Costs carried forward ..	-166,783,035	-319,140,000	+267,470,000	-51,670,000
Total, appropriation	553,638,000	778,473,000	+557,544,000	1,336,017,000

Note: Following printing of the 1976 Budget, a decision was made to increase the 1975 program level from the \$1,425,285,455 reflected in the printed budget to \$1,611,710,455. CCC funds may be used to fund this increase; therefore no additional appropriation is being requested at this time. Such additional appropriation will be requested in the fiscal year 1977 budget.

The preceding project statement reflects estimated obligations on the basis of available funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities and similar factors.

The amounts provided in the appropriations are not fully controlling since the basic law permits the Government to enter into agreements involving expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of "available" agricultural commodities are made to friendly countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for shipments under P.L. 480 was extended through December 31, 1977, by Public Law 93-86, approved August 10, 1973.

TITLE I

The Corporation finances all sales made pursuant to agreements concluded under title I. Sales are made to friendly countries-- as defined in section 103(d) of the act--and must not displace expected commercial sales for cash dollars (secs. 103 (c) and (n)). No sales may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

No agreements may be entered into after December 31, 1977 (sec. 409), and agreements may not be made under title I in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorizations.

In accordance with the act, a progressive shift from foreign currency sales to dollar credit sales was completed by December 31, 1971. To the extent that transition from foreign currency sales to dollar credit sales is not possible transition to convertible foreign currency credit sales is authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement. Program costs for foreign currency sales represent final shipments under sales agreements signed before January 1, 1972.

Agricultural commodities sold under title I are paid for either in U. S. dollars with interest on credit terms up to 20 years, with a grace period of up to two years or in dollars or foreign currency convertible to dollars with interest on credit terms up to 40 years with a grace period of up to ten years.

Whenever practicable, terms of agreements must require payments at time of delivery of not less than 5% of the purchase price in dollars or in currencies convertible to dollars. These initial payments are applied against costs to reduce appropriation requests. On credit agreements under title I, the President is authorized to require payment upon delivery in dollars or foreign currencies of amounts needed for payment of U. S. obligations and certain other purposes.

In the case of sales agreements entered into under title I of the act, the Corporation will finance ocean freight charges only to the extent of the differential between U. S. -flag rates and foreign-flag rates when U. S. - flag vessels are required to be used and will not finance any portion of the ocean freight in any other case.

Of the 1975 appropriation of \$425,175,000, no more than 10 percent of that amount shall be made available to any one country during fiscal year 1975.

Section 509 of Public Law 86-500, approved June 8, 1960 (7 U.S.C. 1704b note) provides that at least 75 percent of the total cost of foreign military housing projects (unless otherwise specified) shall be paid from foreign currencies acquired under title I. Pursuant to 10 U.S.C. 2681 (b), as amended, the estimate reflects transfer to the Corporation of \$6 million each year to liquidate amounts due. Of this amount, \$2 million will be applied to the French housing barter transaction and the remaining \$4 million will be applied against other amounts due, with a balance of \$19 million remaining unpaid as of June 30, 1976.

Sale of agricultural commodities for dollars on credit terms.--In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with United States and foreign private trade entities. Repayments, including interest at minimum rates set by law, may be made in dollars for up to 20 years, or in foreign currency convertible to dollars for up to 40 years. Under certain conditions, the President is authorized to require payment upon delivery, in dollars, or in foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Agreements may not be entered into under this title in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1,900 million plus unused prior years' authorizations of \$15,746 million as of December 31, 1974.

TITLE II

Under title II of Public Law 480, as amended, Commodity Credit Corporation-owned commodities are supplied to meet famine or other urgent relief requirements, combat malnutrition, promote economic and community development in developing areas, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States commitment to the World Food Program. Commodities not available in CCC stocks for donation may be purchased for this purpose. As far as practicable, such dispositions are made through nonprofit voluntary agencies. Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Appropriations are authorized to reimburse the Corporation for costs incurred.

Programs of assistance shall not be undertaken under this title during any calendar year which call for an appropriation to reimburse the Corporation in excess of \$600 million plus unused prior year's authorizations of \$300 million as of December 31, 1974.

Status of Authorizations for Appropriations (In millions)

	<u>P.L. 480</u>	
	<u>Title I</u>	<u>Title II</u>
Unused prior years' authorizations, December 31, 1974 (estimate)	\$10,046	\$300
Annual authorization contained in Public Law 480, as amended - calendar year 1975	<u>1,900</u>	<u>600</u>
Total authorization available through December 31, 1975	<u>11,946</u>	<u>900</u>

JUSTIFICATION OF INCREASES AND DECREASES

1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I):

Item	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs:				
Foreign currency	\$10,534	--	--	--
Long-term credit	\$567,449,216	\$1,060,755,000	-\$197,455,000	\$863,300,000
Total commodity costs.	567,459,750	1,060,755,000	-197,455,000	863,300,000
Ocean transportation:				
Foreign currency	290,223	--	--	--
Long-term credit	10,360,397	45,300,490	+4,099,510	49,400,000
Total ocean transportation	10,650,620	45,300,490	+4,099,510	49,400,000
Total expenses of shipments:				
Foreign currency	300,757	--	--	--
Long-term credit	577,809,613	1,106,055,490	-193,355,490	912,700,000
Total	578,110,370	1,106,055,490	-193,355,490 (1)	912,700,000
<u>Financing:</u>				
Receipts from:				
Sale of foreign currency .	-149,317,514	-94,900,000	+20,400,000	-74,500,000
Repayments on long-term credit	-174,683,993	-165,200,000	-9,500,000	-174,700,000
Subtotal	-324,001,507	-260,100,000	+10,900,000	-249,200,000
1973 funds available for 1974 costs:				
Long-term credit	-302,217,353	--	--	--
1974 funds available for 1975 costs:				
Long-term credit	287,159,490	-287,159,490	+287,159,490	--
1975 costs financed from 1976 funds:				
Long-term credit	--	-133,621,000	+267,242,000	+133,621,000
1976 costs financed from 1977 funds:				
Long term credit	--	--	-134,755,000	-134,755,000
Net financing	-339,059,370	-680,880,490	+430,546,490	-250,334,000
Total available or estimate.	239,051,000	425,175,000	+237,191,000	662,366,000

NOTE: The above table and the justification reflect increased shipments in 1975 announced after the printing of the Budget.

The preceding schedule reflects a combined appropriation for sales for foreign currencies and sales for dollars on credit terms. A decrease of \$193,355,490 in program level in 1976 is reflected, and the appropriation requested is \$237,191,000 more than the appropriation for 1975.

The 1974 appropriation was \$287,159,490 more than 1974 costs after crediting \$324,001,507 of proceeds from sales of foreign currencies and dollar repayments from foreign governments and \$302,217,353 of 1973 funds brought forward to 1974 program costs.

The 1975 appropriation is expected to be \$133,621,000 less than estimated 1975 program costs after application of \$287,159,490 of 1974 funds available, \$94,900,000 of proceeds from sales of foreign currencies and \$165,200,000 of dollar repayments from foreign governments.

Program costs for foreign currency sales represent final shipments under agreements signed before January 1, 1972.

The estimates for 1976 program activity reflect estimated receipts of \$74,500,000 from sales of foreign currencies and loan repayments, \$174,700,000 repayments from foreign governments and private trade entities, and \$134,757,000 costs to be financed from the 1977 appropriation.

(1) A net decrease of \$193,355,490 in program level in 1976 consisting of:

(a) A decrease of \$197,455,000 in commodity costs (\$1,060,755,000 available in 1975). Major changes from 1975 estimates in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments	Change in Cost of Shipments
	(in thousands)	
<u>Increases:</u>		
Feed grains	+27 sh. tons	+\$2,957
Tobacco	-3,468 lbs.*	+1,408
Cotton products	+7,275 lbs.	+9,094
Vegetable oil products	+27,632 lbs.	+9,101
Initial payments to exporters..	xxx	+881
Total increases	xxx	+23,441

* Decreased quantity offset by higher unit price.

Decreases:

Wheat	+20,264 bu.*	-\$55,776
Rice	-2,002 cwt.	-132,740
Upland cotton	-132 bales	-30,880
Blended food products	-11,247 lbs.	-1,500
Total decreases	xxx	-220,896
Net decrease	xxx	-193,355,490

* Increased quantity offset by lower unit price.

(b) An increase of \$4,099,510 in ocean transportation (\$45,300,490 available in 1975). This reflects an increase of about 192 thousand metric tons in commodity shipments (mainly wheat).

Costs incurred include the following:

- (a) Payment at export prices for commodities shipped.
- (b) Differential between domestic market price and the competitive world price on commodities exported, where applicable.
- (c) Authorized ocean freight differential on shipments made in U.S. flag vessels.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1974, 1975, and 1976. (Note -- The reductions shown for the adjustment for initial payments to exporters are authorized in Title I, Section 103(k). This initial payment is made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Title I,
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1974-1976:

Commodity	Unit of Measure	1974 Actual		1975 Estimate		1976 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	6,443,216	\$17,108,518	568,000	\$1,990,000	1,522,000	\$4,947,000
Grain sorghum	bushel	10,161,017	18,612,521	--	--	--	--
Total feed grains	Sh. Ton	464,919	35,721,039	15,904	1,990,000	42,616	4,947,000
Wheat	bushel	27,718,067	109,344,546	120,653,000	573,104,000	137,954,000	517,328,000
Rice	cwt.	13,043,482	317,304,788	19,842,000	382,500,000	17,840,000	249,760,000
Cotton, upland	bale	118,248	32,734,059	283,000	70,317,000	151,000	39,437,000
Cotton, extra-long staple	bale	--	-437	--	--	--	--
Cotton products	pound	3,460,881	5,301,788	--	--	7,275,000	9,094,000
Blended food products	pound	2,630,399	317,669	11,247,000	1,500,000	--	--
Vegetable oils	pound	151,718,080	36,190,628	35,100,000	14,110,000	62,732,000	23,211,000
Tobacco (total)	pound	24,050,985	30,545,670	26,455,000	31,234,000	22,987,000	32,642,000
Initial payment to exporters	xxx	--	--	--	-14,000,000	--	-13,119,000
Total commodity costs		xxx	567,459,750	xxx	1,060,755,000	xxx	863,300,000
Ocean transportation:							
Foreign currency	Met. Ton	a/ 23	290,223		--	--	--
Long-term credit	Met. Ton	b/ 1,178,803	10,360,397	c/ 2,147,674	45,300,490	c/ 2,339,413	49,400,000
Total expenses of shipments		xxx	578,110,370	xxx	1,106,055,490	xxx	912,700,000

a/ Represents ocean freight differential paid to U.S. shippers on 100.0% of tonnage shipped on U.S. flag vessels at average rate.

b/ Represents 62.8% of shipments on U.S. flag vessels at average rate.

c/ Represents 50% of shipments on U.S. flag vessels at average rate.

The following table shows the composition of costs incurred, receipts, and amounts owed by foreign governments and private trade entities on long-term credit sales for the fiscal years 1974, 1975, and 1976:

Item	1974	1975 (estimated)	1976 (estimated)
Balance outstanding, start of year:			
Principle	\$3,148,761,941	\$3,438,188,865	\$4,405,614,000
Interest	38,550,205	39,041,818	45,920,000
Total	3,187,312,146	3,477,230,683	4,451,534,000
Costs incurred during year:			
Principle	577,819,206	1,060,425,135	863,300,000
Interest	73,654,456	79,078,182	101,239,000
Total	651,473,662	1,139,503,317	964,539,000
Payments by foreign governments and private trade entities:			
Principle	-288,392,282	-93,000,000	-82,182,000
Interest	-73,162,843	-72,200,000	-92,518,000
Total	-361,555,125	-165,200,000	-174,700,000
Balance due from foreign governments and private trade entities, end of year:			
Principle	3,438,188,865	4,405,614,000	5,186,732,000
Interest	39,041,818	45,920,000	54,641,000
Total	3,477,230,683	4,451,534,000	5,241,373,000

2. Commodities supplied in connection with dispositions abroad (Title II):

Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation. No donations of agricultural commodities may be made to North Vietnam except as authorized by Act of Congress enacted after July 1, 1973.

Item	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs	\$281,599,885	\$395,494,000	-\$102,913,000	\$292,581,000
Ocean transportation	101,560,549	108,660,965	+2,939,035	111,600,000
Total, expenses of shipments.....	383,160,434	504,154,965	-99,973,965	404,181,000
Purchase of foreign currencies for use in self-help activities	1,681,251	1,500,000	+500,000	2,000,000
Total program	384,841,685	505,654,965	-99,473,965 (1)	406,181,000
<u>Financing:</u>				
1973 costs financed from 1974 appropriation	96,528,350	--	--	--
1974 costs financed from 1975 appropriation	-166,783,035	166,783,035	-166,783,035	--
1975 costs to be financed from 1976 appropriation .	--	-319,140,000	+638,280,000	319,140,000
1976 costs to be financed from 1977 appropriation .	--	--	-51,670,000	-51,670,000
Net financing	-70,254,685	-152,356,965	+419,826,965	267,470,000
Total available or estimate .	314,587,000	353,298,000	+320,353,000	673,651,000

NOTE: The above table and the justification reflect increased shipments in 1975 announced after the printing of the Budget.

The preceding schedule reflects a decrease of \$99,473,965 in program level in 1976 below the 1975 level as explained below.

It is estimated that at the end of fiscal year 1975 there will remain unpaid 1975 program costs of \$319,140,000 to be financed from the 1976 appropriation. The estimate of reduced program activity in fiscal year 1976, with the unpaid prior year's costs, will result in an increase of \$320,353,000 in the appropriation requested for 1976, leaving \$51,670,000 to be financed from the 1977 appropriation.

INCREASES AND DECREASES

(1) A net decrease of \$99,473,965 in program level in 1976 consisting of:

(a) A decrease of \$102,913,000 in commodity costs (\$395,494,000 available in 1975). Changes in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments (In thousands)	Change in Cost of Shipments
<u>Increases:</u>		
Feed grains and products...	+73 Sh. tons	+\$8,789
Blended food products	+382,901 lbs.	+33,158
Total increases	xx	+41,947
<u>Decreases:</u>		
Wheat and products	-4,278 bu.eq.	-29,617
Rice, milled	-2,216 cwt.	-43,567
Soybean products	-1,890 lbs.	-306
Dried milk	-110,231 lbs.	-64,637
Vegetable oil products	*+6,834 lbs.	-6,733
Total decreases	xx	-144,860

*Increased quantity more than offset by lower commodity cost per pound.

(b) An increase of \$2,939,035 in ocean transportation (\$108,660,965 available in 1975). This reflects a decrease of about 25 thousand metric tons in estimated commodity shipments listed above, offset by a higher rate per ton.

(c) An increase of \$500,000 in purchase of foreign currencies for use in self-help activities (\$1,500,000 available in 1975). This reflects an increase in self-help activities in fiscal year 1976.

Costs incurred -- Costs include the following:

- Payment to the Corporation for its investment in making commodities available. This includes acquisition costs, storage, processing, packaging, inland transportation and handling charges.
- Authorized ocean transportation costs from U.S. ports to designated ports of entry abroad. This may include transportation to designated points of entry in landlocked countries.
- Purchase of foreign currencies for use in self-help activities.

The following table reflects estimated expenses of shipments by commodity:

Public Law 480, Title II, Expenses of shipments, 1974-1976:

Commodity	Unit of Measure	1974 Actual		1975 Estimate		1976 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	3,624,173	\$10,355,003	1,230,000	\$4,186,000	1,342,000	\$4,697,000
Corn products <u>a</u> /	bu.equiv.	3,077,285	7,312,902	2,257,000	6,530,000	2,686,000	9,191,000
Grain sorghum	bushel	14,730,326	44,391,973	4,752,000	17,931,000	6,718,000	21,471,000
Sorghum products <u>b</u> /	bu.equiv.	540,944	1,622,590	3,036,000	10,714,000	2,652,000	8,470,000
Oats	bushel	--	-948	--	--	--	--
Oat products <u>c</u> /	bu.equiv.	667,156	1,534,314	1,720,000	5,471,000	3,377,000	9,792,000
Total feed grains	Sh. Ton	577,532	65,215,834	307,143	44,832,000	379,583	53,621,000
Wheat	bushel	6,259,012	18,114,167	8,124,000	24,372,000	4,980,000	17,403,000
Wheat flour <u>d</u> /	bu.equiv.	15,322,794	81,948,879	10,325,000	60,064,000	10,915,000	53,015,000
Bulgur <u>e</u> /	bu.equiv.	7,031,202	42,381,946	7,243,000	43,406,000	5,519,000	27,807,000
Roller wheat <u>f</u> /	bu.equiv.	6,954	32,293	--	--	--	--
Total wheat and products	bu.equiv.	28,619,962	142,477,285	25,692,000	127,842,000	21,414,000	98,225,000
Rice, milled	cwt.	--	15,653	2,216,000	43,567,000	--	--
Blended food products	pound	277,624,953	38,362,037	430,853,000	65,910,000	813,754,000	99,068,000
Beans, dry edible	cwt.	--	-138	--	--	--	--
Soybean products	pound	2,159,950	327,748	1,890,000	306,000	--	--
Milk, dried	pound	--	-383,435	110,231,000	64,637,000	--	--
Vegetable oil products	pound	118,024,507	35,584,901	92,374,000	48,400,000	99,208,000	41,667,000
Total commodity costs	xxx	xxx	281,599,885	xxx	395,494,000	xxx	292,581,000
Ocean transportation	Met. Ton	1,361,783	101,560,549	1,278,351	108,660,965	1,253,449	111,600,000
Total expenses of shipments	xxx	xxx	383,160,434	xxx	504,154,965	xxx	404,181,000
<u>a</u> / Cornmeal	pound	97,382,451	71,433,000	85,000,000	85,000,000	85,000,000	85,000,000
<u>b</u> / Sorghum grits	pound	15,152,500	85,034,000	74,294,000	74,294,000	74,294,000	74,294,000
<u>c</u> / Rolled oats	pound	14,687,900	37,845,000	37,845,000	37,845,000	37,845,000	37,845,000
<u>d</u> / Wheat flour	pound	690,838,335	465,495,000	465,495,000	465,495,000	465,495,000	465,495,000
<u>e</u> / Bulgur	pound	382,546,366	394,088,000	394,088,000	394,088,000	394,088,000	394,088,000
<u>f</u> / Rolled wheat	pound	387,200	--	--	--	--	--

SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile from 1957 through 1971. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

Effective at the beginning of fiscal year 1974, barter program contract negotiations have been suspended. Estimated commodity shipments for 1975 represent completion of shipments under contracts made prior to the suspension.

The following table shows actual and estimated activity, 1974 to 1976:

Commodities Bartered for Offshore Procurement for Other Government Agencies
(In thousands)

Commodity	Unit of Measure	1974 Actual		1975 Estimate		1976 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Corn	bushel	4,174	\$ 10,546	-	-	-	-
Grain Sorghum	bushel	2,301	4,432	-	-	-	-
Barley	bushel	2,438	4,932	-	-	-	-
Total feed grains	sh. ton	240	19,910				
Wheat	bushel	-	-	-	-	-	-
Wheat flour	bu. equiv.	84	122	-	-	-	-
Total wheat and products	bu. equiv.	84	122	-	-	-	-
Rice	cwt.	1,022	15,781	-	-	-	-
Cotton, upland	bale	939	158,434	25	\$6,300	-	-
Vegetable oils	pound	69,117	13,306	-	-	-	-
Tobacco, total	pound	51,258	62,024	560	700	-	-
Tallow or grease	pound	149,302	24,181	-	-	-	-
Total 1/	xxx	xxx	293,758	xxx	7,000	-	-

1/ Distribution as follows:

For offshore procurement (paid by other sources)
Offshore premiums (information only)
Total
293,758
(8,478)
293,758

7,000
(700)
7,000

TRANSITION BUDGET

Public Law 480

Sales of agricultural commodities for foreign currencies and for dollars on credit terms (title I)	\$56,045,000
Commodities supplied in connection with dispositions abroad (title II)	<u>90,175,000</u>
Total, transition budget estimate	<u>146,220,000</u>

JUSTIFICATION OF TRANSITION BUDGET ESTIMATES

The funds requested represent less than one-fourth of the budget estimate for 1976.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949 as amended (5 U.S.C. 901-913).

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASC State Committees in the 50 States and a total of 3,053 county committees. The commodity offices are responsible primarily for Commodity Credit Corporation functions. Such functions include accounting for loans and purchases; acquisition, management, storage and disposition of commodities; and related transportation and accounting activities. Management field offices perform fiscal, claims, personnel, and administrative operations for all the States and other field offices.

Following are the principal appropriations, programs, and other funding related to ASCS operations:

1. Salaries and Expenses, ASCS. This appropriation funds the administrative expenses of programs administered by, and the functions assigned to ASCS. The account was established by the Agricultural Appropriation Act of 1963 (P. L. 87-879) to simplify budgetary and accounting requirements and recordkeeping. Under the Agricultural Appropriation Act of 1964 (P. L. 88-250) all additional sources of administrative expense funds, including those transferred from the Commodity Credit Corporation capital funds and administrative expense limitation, were authorized to be merged with this appropriation account.
2. Sugar Act Program. The chief objective of the Sugar Act of 1948, as amended, was "to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry." This involved determination of U. S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. It also involved marketing of sugar produced in domestic areas. Payments were made to domestic sugar growers who complied with certain labor, wage, price, and marketing requirements prescribed by law. This law expired December 31, 1974 but some payments will be made in FY 1976 on the 1974 sugar crop.
3. Cropland Adjustment Program. This program was authorized in title VI of the Food and Agriculture Act of 1965 which expired at the end of 1970. Its purpose was to assist farmers, through long-term agreements, to divert land from the production of certain crops to more needed uses that promoted the development and conservation of our soil, water, forest, wildlife, and recreational resources. Sign-up was in 1966 and 1967 when 3.8 million acres were placed under agreements, the last of which will expire in the fiscal year 1977. Under Greenspan, grants were made to local and State agencies to purchase cropland for public benefit uses.
4. Dairy and Beekeeper Indemnity Program. Beginning January 1, 1964, the Secretary was authorized to make indemnity payments at the fair market value to dairy farmers who were directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use provided such removal was not the result of willful failure to follow procedures prescribed by the Federal Government.

The Agriculture and Consumer Protection Act of 1973 extended the milk indemnity payment program through June 30, 1977, and authorized indemnification payments, beginning with the date of enactment, to manufacturers of dairy products who

have been directed to remove their products because they contained residues of chemicals registered and approved for use by the Federal Government. The Act also added provision for indemnity payments to dairy farmers for cows producing contaminated milk.

The Agricultural Act of 1970 authorized indemnity payments to beekeepers who, through no fault of their own, suffered losses of honey bees after January 1, 1967, as a result of utilization of economic poisons near the property on which the beehives of such beekeepers were located. The Agriculture and Consumer Protection Act of 1973 extended the authority until December 31, 1977.

5. Agricultural Conservation Program. This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The Act aims at building the productive capacity of soil, conserving agricultural soil and water, and other environmental enhancement actions. Costs are shared with individual (or groups of) farmers, ranchers, and woodland owners who perform approved soil-building and soil-and water-conserving practices on their lands.

Sections 1001 to 1008 of the Agriculture and Consumer Protection Act of 1973 authorize programs to encourage farmers and ranchers to carry out annual and long-term plans that would emphasize conservation benefits of national concern, and achieve desirable land-use adjustments. Section 1010 authorizes appropriations for this purpose.
6. Forestry Incentives Program. This program is authorized by section 1009 of the Agriculture and Consumer Protection Act of 1973. Its purpose is to encourage the development, management and protection of non-industrial private forest lands. Section 1010 limits appropriations for this program to \$25 million annually.
7. Water Bank Program. The Water Bank Act (P. L. 91-559) approved December 19, 1970, authorizes a continuous program to prevent the serious loss of wetlands and to preserve, restore and improve wetlands beginning July 1, 1971. Agreements are entered into with landowners and operators in important migratory waterfowl nesting and breeding areas for the conservation of specified wetlands. The agreements are for ten-year periods with provision for renewals for additional periods.
8. Emergency Conservation Measures. This program is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959. Its objective is to restore to normal agricultural use farmlands designated by the Secretary, which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, costs are shared with farmers for carrying out approved practices.
9. Cropland Conversion Program. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended by Section 101 of the Food and Agriculture Act of 1962, provided for long-term cropland conversion agreements. These pilot program agreements were entered into with farmers and ranchers to make changes from their past cropping systems and land uses to other income producing, public benefit uses. Agreements were made during the fiscal years 1963, 1965, 1966, and 1967. The last of these agreements will expire in the fiscal year 1976.
10. Commodity Credit Corporation Program Activities. Various support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the Commodity Credit Corporation Programs. The Administrator of the Service is also Executive Vice President of the Corporation.

The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment programs for designated basic commodities (tobacco, peanuts, wheat, cotton and rice). This is done through acreage allotments, and through marketing quotas when supplies reach specified levels in relation to normal demand.

The Agriculture and Consumer Protection Act of 1973 authorizes programs for the 1974 through 1977 crops of feed grains, wheat, and upland cotton. This legislation uses guaranteed or "target" prices and deficiency payments to encourage farmers to provide consumers with adequate supplies of food and fiber. Deficiency payments would be made to farmers only where the average market price received by farmers dropped below the target level. Disaster payments are also available under certain conditions.

Additional information on the support and related activities of the Commodity Credit Corporation will be found elsewhere in these Explanatory Notes.

11. Foreign Assistance Program, Special Export Programs and other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Funds for these programs are made available to the Corporation for its costs incurred in connection with these activities. Additional information on these programs will be found elsewhere in these Explanatory Notes.
12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This includes defense readiness for food production and domestic distribution of farm machinery, fertilizer, feed, and seed.

Responsibility within the Department for coordination of activities relating to energy shortages is lodged with ASCS. Through its network of county and State offices, the Service monitors the situation in rural areas relating to key farm production inputs, particularly fuels and fertilizer.

Under its own authorities, and in conjunction with other Departments and agencies, the Service provides assistance under the following emergency livestock feed programs: (1) Livestock Feed Program; (2) Grazing and Haying; (3) Hay Transportation Assistance Program; and (4) Acute Distress Donation Program to Indian Tribes.

13. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies and others on an advance or reimbursable payment basis. Following are examples of the types of programs and services performed:

Federal Funds:

- a. Funds for strengthening markets, income and supply (Sec. 32) and Child Nutrition Programs. Purchase and diversion programs for the Agricultural Marketing Service are carried out under Section 32 of the Act of August 24, 1935. Commodities are also purchased for use by schools in the Child Nutrition Programs for the Food and Nutrition Service.
- b. Food Stamp Program. ASCS performs systems, programming, data processing and clerical control functions for Food and Nutrition Service in the data analysis of Food Stamp redemptions.
- c. Great Plains Conservation Program. Public Law 84-1021, authorized this program for cost-sharing of conservation practices under long-term contracts with farmers and ranchers in designated counties of the ten Great Plains States. ASCS services and facilities are used by the Soil Conservation Service on a reimbursable basis.

- d. Federal Crop Insurance Corporation. Services and facilities of ASCS are used in certain counties to service crop insurance for the Federal Crop Insurance Corporation on a reimbursable basis.
- e. Appalachian Region Conservation Program. This is a long-term program authorized in Section 203 of the Appalachian Regional Development Act of 1965, as amended, to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Funds for carrying out the program are appropriated directly to the Appalachian Regional Commission, and are transferred to ASCS for payments.
- f. Office space supplied to other agencies of the Department. In certain areas where more than one agency is housed in offices under the control of ASCS, each agency pays their applicable part of the rental and related services.
- g. Part-Time and Intermittent Assistance to Farmers Home Administration. This item covers ASCS County Office employees who may provide part-time or intermittent assistance to FmHA on a non-reimbursable basis and includes expenditures for salaries, fringe benefits, and travel and miscellaneous expenses incidental thereto.
- h. Miscellaneous. This item covers other reimbursable work such as detail of specialists to other agencies including their travel, office supplies, etc., not covered above.

Non-Federal funds:

- a. Aerial Photographs. ASCS makes aerial photographs for use in farm programs primarily in checking compliance. Copies are also sold to the public and to other Federal agencies. ASCS is receiving photographs from NASA's Earth Resources Technology Satellite (ERTS). These photographs are made available to agencies by ASCS on a reimbursable basis.
- b. Loan Service Charges. The Service performs inspection, sampling, testing, grading, and sealing of commodities being placed under loan for which fees are collected from farmers.

Available Funds and Man-years
1974 and Estimated, 1975 and 1976

Item	Actual 1974		Estimated Available, 1975		Budget Estimate 1976	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Agricultural Stabilization and Conservation Service:						
Salaries & Expenses, ASCS:						
Appropriation	a/ 169,235,000)		161,548,000)		152,053,000)	
Transferred to other accounts..	-2,584,000) 2,838		-17,000) 2,967		- -) 2,889	
Transfers from CCC	)		)		)	
Authorized in appropriation Act	b/78,346,000)		c/69,695,000)		d/ 72,571,000)	
Transferred to other accounts	)		)		)	
for pay costs...	-218,000)		-217,000)		- -)	
Total, Salaries and Expenses, ASCS	244,779,000	2,838	231,009,000	2,967	224,624,000	2,889
Deduct allotments to other agencies	-32,000	- -	-132,000	-2	-135,000	-2
Subtotal, ASCS only	244,747,000	2,838	230,877,000	2,965	224,489,000	2,887
Sugar Act Program	88,500,000	- -	85,700,000	- -	- -	- -
Cropland Adjustment Program	51,900,000	- -	43,801,000	- -	42,000,000	- -
Transferred to other accounts for pay costs	-1,599,000	- -	- -	- -	- -	- -
Dairy and Beekeeper Indemnity Programs ..	- -	- -	1,850,000	- -	3,350,000	- -
Agricultural Conservation program:						
(appropriation)	15,000,000	- -	285,500,000	- -	33,750,000	-
Transfer from EPA (ACP)	15,000,000	- -	- -	- -	- -	- -
Forestry Incentives Program	- -	- -	e/25,000,000	- -	- -	- -
Water Bank Program ...	10,000,000	16	e/10,000,000	30	- -	11
Deduct allotment to SCS	-1,000,000	-16	e/-1,000,000	-30	f/ - -	-11
Subtotal, ASCS only	9,000,000	- -	9,000,000	- -	- -	- -
Emergency Conservation Measures	10,000,000	- -	10,000,000	- -	10,000,000	- -
Subtotal, ASCS	432,548,000	2,838	691,728,000	2,965	313,589,000	2,887
Obligations under other USDA appropriations:						
Agricultural Marketing Service-For Assistance on Section 32 Program	1,116,796	69	1,149,251	55	1,158,251	55
Food & Nutrition Service-for assistance on School Lunch Prog. and commodity distribution activity	249,688	16	411,600	20	414,600	20
Food & Nutrition Service-for assistance on Food Stamp Prog...	539,720	29	698,224	38	704,224	38

Item	Actual 1974		Estimated Available, 1975		Budget Estimate 1976	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Federal Crop Insurance Corporation-for administrative services provided the Corporation	147,968	)	138,481	)	139,481	)
Soil Conservation Service-for Great Plains Conservation Program	84,000	)	92,000	)	94,000	)
USDA-for sales of aerial photographs to various USDA agencies.....	385,086	)	450,000	)	450,000	)
USDA-for office space supplied to other agencies of the Department ...	2,366,164	)	2,426,000	)	2,426,000	)
USDA-for miscellaneous detail of personnel, travel, office supplies, etc.	1,042,077	) 48	861,444	) 36	870,444	) 36
Total, Other USDA Appropriations ..	5,931,499	162	6,227,000	149	6,257,000	149
Total Agriculture-Environmental and Consumer Protection Appropriations	438,479,499	3,000	697,955,000	3,114	319,846,000	3,036
Other than USDA Federal Funds	442,166	10	241,000	10	243,000	10
Funds from Nonfederal Sources	1,932,157	1	3,168,000	1	3,189,000	1
Total, Agricultural Stabilization & Conservation Service ..	440,853,822	3,011	701,364,000	3,125	323,278,000	3,047

The above tabulation shows Federal man-years; end-of-year Federal employment is indicated below:

Item	1974 Actual	1975 Estimated	1976 Estimated
End-of-year Employment:			
Permanent full-time	2,882	2,800	2,800
Other	206	295	295
Total	<u>3,088</u>	<u>3,095</u>	<u>3,095</u>

NOTE: Man-years shown do not include committeemen and employees of ASCS County Committees who are not Federal employees.

- a/ Includes \$18,700,000 unobligated balance returned to treasury due to workload reduction.
- b/ Includes \$2,866,000 contingency reserve of which \$218,000 was used for increased pay costs by Agricultural Marketing Service. Also includes \$8,000,000 not used due to workload reduction.

- c/ Includes \$2,691,000 contingency reserve of which \$2,474,000 is being used by ASCS for pay costs, \$105,000 is being transferred to Agricultural Marketing Service for pay costs and \$112,000 is being transferred to Foreign Agricultural Service for pay costs.
- d/ Includes \$2,787,000 contingency reserve available only upon release by the Office of Management and Budget.
- e/ Proposed for rescission or deferral.
- f/ To be financed with prior year funds.

(a) Salaries and Expenses, Agricultural
Stabilization and Conservation Service

	Direct Appropriation	Transfers from Commodity Credit Corporation	Total
Appropriation Act, 1975	\$157,382,000	\$69,695,000	\$227,077,000
Budget Estimate, 1976	<u>152,053,000</u>	<u>72,571,000</u>	<u>224,624,000</u>
Net Decrease in appropriation.	<u>-5,329,000</u>	<u>+2,876,000</u>	<u>-2,453,000</u>
Adjustments in 1975:			
Appropriation Act 1975	157,382,000	69,695,000	227,077,000
Transfers to other agencies for communication activities	-17,000	- -	-17,000
Proposed supplemental for pay costs	+4,166,000	- -	+4,166,000
Proposed transfers to other agencies for pay costs ...	- -	-217,000 ^{a/}	-217,000
Adjusted base for 1976	<u>161,531,000</u>	<u>69,478,000</u>	<u>231,009,000</u>
Budget Estimate, 1976	<u>152,053,000</u>	<u>72,571,000</u>	<u>224,624,000</u>
Net decrease from adjusted 1975	<u>-9,478,000</u>	<u>+3,093,000</u>	<u>-6,385,000</u>

a/ Transferred from the Contingency Reserve under the CCC Administrative Expense Limitation as follows: \$105,000 to Agricultural Marketing Service and \$112,000 to Foreign Agricultural Service.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	Direct Appropriation	Transfers from Commodity Credit Corporation	Total
Adjusted base for 1976	\$161,531,000	\$69,478,000	\$231,009,000
Annualization of pay cost in- crease effective in FY 1975.	+2,057,000	+306,000	+2,363,000
Restoration of CCC Contin- gency Reserve	- -	+2,787,000	+2,787,000
Reduction in workload	<u>-11,535,000</u>	<u>- -</u>	<u>-11,535,000</u>
Budget Estimate, 1976	<u>152,053,000</u>	<u>72,571,000</u>	<u>224,624,000</u>

Project Statement
(on basis of adjusted appropriation and CCC transfers)

	1974	1975 (Estimated)	Increase or Decrease	1976 (Estimated)
1. Program formulation and appraisal	\$6,588,099	\$7,063,000	-\$281,000	\$6,782,000
2. Operation of supply adjustment, conservation and support programs	183,335,750	196,616,000	-7,804,000	188,812,000
3. Inventory management and merchandising	25,482,084	27,330,000	-1,087,000	26,243,000
Contingency reserve (CCC) ..	- -	- -	+2,787,000	2,787,000
Unobligated balance	18,725,067	- -	- -	- -
Total available or estimate.	234,131,000	231,009,000	-6,385,000 ⁽¹⁾	224,624,000
Transfers from CCC	67,480,000	69,478,000	+3,093,000	72,571,000
Subtotal, Direct Appropriation	166,651,000	161,531,000	-9,478,000	152,053,000
Proposed supplemental for pay costs	- -	+4,166,000		
Transferred to other accounts	-2,584,000	-17,000		
Total, appropriation ...	169,235,000	157,382,000		

JUSTIFICATION OF INCREASES AND DECREASES

(1) The net decrease of \$6,385,000 in the total request for 1976 consists of:

- (a) Annualization of pay cost increases effective in fiscal year 1975 +\$2,363,000
- (b) Restoration of the CCC Contingency Reserve. (In 1975 it is planned to use the entire reserve of \$2,691,000 for increased pay costs. The proposed increase is based on 7 percent of the total request under the limitation on CCC administrative expenses) +2,787,000
- (c) A decrease of \$11,535,000 in workload due primarily to decreases in the Agricultural Conservation Program, the Sugar Act Program and Disaster Activities -11,535,000
- Total -6,385,000

EXPLANATION OF PROGRAMS

The programs for which Agricultural Stabilization and Conservation Service has prime responsibility for their operation fall within two major USDA missions:

1. Farm Income. The objectives and goals of this mission are all described more fully under Commodity Credit Corporation. Besides the CCC programs, several appropriated fund programs are included in this mission.

More detail is furnished in the explanations and justifications under the following applicable programs:

Sugar Act Program
Cropland Adjustment Program
Cropland Conversion Program
Conservation Reserve Program
Emergency Conservation Measures
Dairy and Beekeeper Indemnity Program

A portion of the appropriation "Salaries and Expenses, ASCS" applicable to the above programs is included under this mission as administrative support for farm income programs.

2. Environmental Improvement and Resources Development and Use.

USDA Goals and Objectives.

The USDA goal is to enhance the physical environment through the efficient and timely use, development, and protection of natural resources, consistent with available financial resources, social priorities and environmental constraints.

The major objectives are to

- Develop criteria and procedures for cooperating with other Federal agencies and non-Federal governments, for contributing to local, State and national land-use policy and planning objectives.
- Participate in the development of soil, water, and timber resources on an equitable cost-sharing basis that maximizes national benefits in relation to Federal costs.
- Promote the development and application of research-based knowledge and technology required by USDA action programs and the public, to ameliorate or avoid adverse environmental impacts while utilizing land, water, and forest resources to meet public demands.

Priority will be given to: (1) environmental problems requiring immediate attention, especially those involving threats to human health, potential genetic damage, and non-reversible impairment of fragile scarce resources; (2) land-use planning problems; (3) projects which must eventually be done but will experience very large cost increases if postponed; (4) problems where State and local concern, leadership, and initiative have been demonstrated; (5) projects which complement other programs and services of the Department or other governmental bodies. Long-term cost-sharing assistance to landowners should stress timber production and enduring soil and water conserving practices that prevent or abate environmental degradation.

Provisions of the Programs

The ASCS programs included in this mission are described more fully in the explanations and justifications under the following programs:

Agricultural Conservation Program
Forestry Incentives Program
Water Bank Program

Portions of the appropriations "Salaries and Expenses, ASCS" applicable to the above programs are included under this mission as administrative support (ACP and Appalachia) and administrative support for outdoor recreation programs.

The following tabulation shows Salaries and Expenses, ASCS, distributed to the various USDA missions for administrative support:

USDA Mission	1974	Estimated 1975	Estimated 1976
	(Dollars in Thousands)		
Farm income	\$185,891	\$180,101	\$172,710
Agricultural exports	2,055	2,160	2,180
Environmental improvement and resources development and use	27,459	48,748	46,947
Subtotal, USDA missions	215,405	231,009	221,837
Undistributed advances and reimbursements (included under other agencies' missions)	8,094	9,636	9,689
Unobligated contingency reserve	- -	- -	2,787
Total, Salaries and Expenses, ASCS	223,499	240,645	234,313

EXPLANATION OF Account

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of programs administered by, and the functions assigned to ASCS. The 1976 Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs not covered by direct appropriation. In addition, it provides that funds made available to the Agricultural Stabilization and Conservation Service by other agencies for services in connection with various programs be advanced to and merged with this appropriation. These transfers consolidate all administrative funds used by ASCS into one account and provide clarity, better management, and control of such funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation and commodity support programs, and the management and merchandising of commodities acquired under the support program, have a tremendous impact on the national and, to a lesser extent, the international economy. This activity provides for constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.
2. Operation of supply adjustment, conservation, and support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases and yields; (e) establishing proportionate shares for sugar farms when necessary; (f) notifying producers of allotments, proportionate shares, productivity indexes, and payment rates; (g) determining farm marketing allocations; (h) handling appeals; (i) conducting referendums and certifying results; (j) checking compliance with acreage allotments and use of set-aside acres; (k) developing pooling agreements under which several farmers work jointly to solve a common conservation problem which cannot be solved by individual action; (l) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (m) processing producer requests for conservation cost-sharing; (n) processing commodity loan documents and issuing sight drafts; and (o) making appraisals for disaster payments.
3. Inventory management and merchandising. This activity includes; (a) overall management of CCC-owned commodities; (b) selling commodities; (c) donating commodities; and (d) accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance and Special Export Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

- Agricultural exports
- Environmental improvement and resources development and use
- Farm income

The following tabulation shows totals in this account for administrative expenses:

Project	1974	1975 Estimated	1976 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal	\$ 7,310,627	\$ 7,679,000	\$ 7,402,000
2. Operation of supply adjustment, conservation, & support programs	188,356,703	203,040,000	195,263,000
3. Inventory management & merchandising of commodities	27,832,164	29,926,000	28,861,000
Contingency Reserve (CCC)	--	a/ --	b/2,787,000
Total	223,499,494	240,645,000	234,313,000
Obligations under direct appropriation and CCC transfers:			
ASCS	215,399,000	230,877,000	221,702,000
Forest Service	--	100,000	103,000
Office of the General Counsel	6,933	32,000	32,000
Contingency reserve (CCC)	--	a/ --	b/2,787,000
Subtotal, direct appropriation and CCC transfers	c/215,405,933	231,009,000	224,624,000
Obligations under funds from other sources and consolidated with this account	8,093,561	9,636,000	9,689,000
Total	223,499,494	240,645,000	234,313,000

a/ Entire amount of \$2,691,000 to be used for increased pay costs as follows:
\$2,474,000 for ASCS; \$105,000 for AMS; and \$112,000 for FAS.

b/ Available only upon release by the Office of Management and Budget.

c/ Excludes \$18,725,067 unobligated balance.

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in 160 counties to determine the actual time required to complete units of work by category. Time and units reported by work measurement counties are used to establish coefficients which are applied to units of work reported by each county for each category of work in each major program. This determines the normal man-days required for the workload involved in each fiscal year. The workload for each major program is shown in Tables I and II and reflects changes in program requirements.

The actual obligations for 1974, divided by the actual man-years determined the average man-year cost for 1974. This cost was revised for 1975 and 1976 to reflect pay and related adjustments.

COMPUTATIONS FOR DEVELOPING COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1974

Normal man-days (Table I)	2,583,831
Man-years for workload programs	10,771
Average cost per man-year	\$12,448
Obligations for weighted workload programs (county offices)	\$134,070,555
Obligations for other offices, unweighted programs of county offices, and allotment accounts	\$89,428,939
Total Obligations, Fiscal Year 1974	<u>\$223,499,494</u>

Fiscal Year 1975

Normal man-days (Table I)	2,525,575
Man-year requirements for workload programs	10,027
Average cost per man-year	\$13,338
Obligations for weighted workload programs (county offices)	\$137,742,000
Obligations for other offices, unweighted programs of county offices, and allotment accounts	\$10,903,000
Total estimated obligations, fiscal year 1975	<u>\$240,645,000</u>
Contingency reserve (CCC) unobligated portion	-- a/
Total Obligations and Contingency Reserve, Fiscal Year 1975.	<u>\$240,645,000</u>

Fiscal Year 1976

Normal man-days (Table I)	2,514,200
Man-year requirements for workload programs	9,980
Average cost per man-year	\$13,516
Obligations for weighted workload programs (county offices)	\$134,887,000
Obligations for other offices, unweighted programs of county offices, and allotment accounts	\$96,639,000
Total estimated obligations, fiscal year 1976	<u>\$231,526,000</u>
Contingency reserve (CCC)	<u>\$2,787,000b/</u>
Total Obligations and Contingency Reserve, Fiscal Year 1976.	<u>\$234,313,000</u>

a/ In FY 1975 it is proposed to use the CCC Contingency Reserve of \$2,691,000 for increased pay costs as follows: \$2,474,000 by ASCS; \$105,000 by AMS; and \$112,000 by FAS.

b/ Available only upon release by the Office of Management and Budget.

NOTE: The above computations include all funds (Appropriated, CCC Transfers, other Advances and Reimbursements) available to Salaries and Expenses, ASCS.

Field offices and related National Office costs (CCC Administrative Expense Limitation). A work measurement system which has been in effect since 1952 is used for measuring past year accomplishments and projecting requirements for the Commodity Offices, management field offices, and the National Office. The estimated volume of activity for each major commodity in terms of loans to be made, acquisitions and dispositions is developed by commodity specialists. This volume is converted to measurable units of work required to carry out these activities. The Field Offices report actual work units accomplished and man-years used, as well as the average salary paid.

Table III reflects volume by major activity. Table IV reflects the conversion of program by volume to work units, labor and fund requirements, for the CCC administrative expense limitation.

Other costs. Requirements for State Offices and the balance of costs for the National Office and management field offices are determined on the basis of past experience and available work measurement data.

Manpower Required

The Agricultural Stabilization and Conservation Service has reduced man-years of employment by 59.6 percent since 1962, and 38.9 percent since 1968.

Reduction in workload are projected for the following: Agricultural Conservation Program, Sugar Act Program, Grain Storage activities and Disaster activities.

Increases in workload are projected for the following: Loans and Price Support Activities for all commodity programs; and the Wool Program.

Man-years of employment have been controlled through the use of (1) specific manpower limitations, (2) management surveys of offices in Washington, D.C. and field; and (3) work measurement.

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

SALARIES AND EXPENSES

Normal Man-days by Program

PROGRAM	FISCAL YEAR		
	1974 Actual	1975 Estimate	1976 Estimate
Agricultural Conservation Program	251,781	508,756	470,000
Wool Act	22,431	31,605	34,133
Loans Made	52,304	52,563	78,433
Price Support Program	148,621	97,305	110,639
Grain Storage Structures program	21,792	- -	- -
Compliance	487,279	347,282	345,901
Wheat and Feed Grain program	357,476	264,608	264,608
Tobacco program	113,393	115,191	115,191
Peanut program	17,349	17,349	17,349
Cotton program	108,413	108,465	108,465
Rice program	5,128	3,706	4,633
Sugar Program	13,414	13,414	1,079
Referenda (all commodities)	14,923	4,113	3,384
Land Retirement programs	18,118	17,012	16,725
Applalachian Region Conservation Program ...	1,611	1,695	1,695
Reconstitutions and Farm Producer Data	267,326	267,326	267,326
Requests for Reconsideration	25,445	17,612	17,612
General Administration	451,005	451,005	451,005
Committee Elections	206,022	206,022	206,022
Totals	2,583,831	2,525,575	2,514,200

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
ACP						
A Request for cost sharing	241,105	637,096	588,563	168,184	279,857	258,538
B Referrals for technical services	127,357	192,627	177,953	17,012	22,877	21,134
C Conservation materials and services orders	50,216	362,809	335,171	7,136	35,057	32,387
D Payment applications	45,684	758,331	700,563	56,107	158,539	146,462
E Pooling agreements	1,162	5,212	4,815	1,186	4,668	4,312
F Long-term agreements	1,188	4,275	3,950	2,156	7,758	7,167
Total, ACP				251,781	508,756	470,000
WOOL ACT PROGRAM						
A Applications for payment	177,437	250,000	270,000	22,431	31,605	34,133
Total, WOOL ACT PROGRAM				22,431	31,605	34,133
LOAN SERVICE CHARGES						
A Farm storage commodity loans	79,433	79,433	119,150	43,065	43,065	64,598
B Warehouse loans (except cotton)	31,164	31,164	46,746	8,285	8,285	12,428
C Cotton warehouse loans initially prepared by county office personnel	1,343	2,031	2,356	725	918	1,065
D Cotton warehouse loans initially prepared by other than county office personnel	2,307	3,466	4,021	229	295	342
Total, LOAN SERVICE CHARGES				52,304	52,563	78,433
PRICE SUPPORT						
A Commodity loan reinspections	56,953	28,857	42,894	9,194	7,143	10,981
B Commodity loan repayment & reconcen- tration settlements	395,577	198,280	247,850	76,091	39,079	48,849
C Cotton loan repayments	75,772	113,710	115,074	632	853	863

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
PRICE SUPPORT (CONTINUED)						
D Farm-stored loan takeover and purchases ...	794	308	150	773	420	206
E Farm-stored resale and continued resale ...						
commodity loans	181	---	---	132	---	---
F Extended warehouse loans	58	---	---	6	---	---
G Warehouse loans acquired (except cotton)...	728	728	357	91	91	45
H Reconciliation of warehouse-stored loans (except cotton)	115	---	---	23	---	---
I Cotton warehouse loans acquired	57	57	---	24	24	---
J Farm storage facility and/or drier loans	26,608	13,789	13,789	34,735	23,229	23,229
K Reconciliation of cotton warehouse loans	57	---	---	2	---	---
L Active facility and drier loans	118,040	112,604	112,604	26,918	26,466	26,466
Total PRICE SUPPORT				148,621	97,305	110,639
CCC-GSS						
A Maintenance of sites and structures	57,099	---	---	21,792	---	---
Total, CCC-GSS				21,972	---	---
COMPLIANCE						
A Report of acreage	7,256,866	7,070,384	7,031,213	240,841	234,652	233,352
B Notice of measured acreage	454,118	191,881	190,818	82,821	40,493	40,269
C Report of acreage by post card	588,684	230,825	229,546	25,644	12,596	12,526
D Farm visits - 0 thru 9.99 acres	128,859	30,422	30,254	27,722	8,064	8,019
E Farm visits - 10.0 thru 49.99 acres	152,013	30,978	30,806	26,050	7,823	7,780
F Farm visits - 50.0 thru 99.99 acres	76,927	12,992	12,920	14,254	4,796	4,769
G Farm visits - 100.0 thru 499.99 acres	84,115	14,667	14,586	19,070	7,338	7,297
H Farm visits - 500.0 thru 999.99 acres	7,193	1,942	1,931	3,249	1,471	1,463
I 1000.0 acres and over	2,156	756	752	1,683	1,291	1,284
J Spot checks	279,954	111,955	111,335	45,945	29,304	29,142
Total, COMPLIANCE				487,297	347,828	345,901

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
WHEAT AND FEED GRAIN						
A Number of initial wheat allotments	1,321,108	1,321,108	1,321,108	100,488	100,488	100,488
B Number of initial feed grain bases	3,531,576	3,531,576	3,531,576	164,120	164,120	164,120
C Participating wheat and/or feed grain farms	216,813	---	---	92,868	---	---
Total, WHEAT AND FEED GRAIN				357,476	264,608	264,608
TOBACCO (FLUE-CURED)						
A Tobacco allotments	191,512	191,074	191,074	9,802	9,774	9,774
B Lease and transfer of allotments	101,200	102,761	102,761	14,375	14,619	14,619
C Marketing cards	183,239	186,108	186,108	16,143	16,312	16,312
D Tobacco market operations	978,313	1,095,433	1,095,433	16,722	18,135	18,135
Total, TOBACCO (FLUE-CURED)				57,042	58,840	58,840
TOBACCO (EXCEPT FLUE-CURED)						
A Tobacco allotments	351,241	351,241	351,241	9,658	9,658	9,658
B Transfer of allotments	71,998	71,998	71,998	16,765	16,765	16,765
C Marketing cards	255,003	255,003	255,003	24,097	24,097	24,097
D Tobacco market operations	326,450	326,450	326,450	5,831	5,831	5,831
Total, TOBACCO (EXCEPT FLUE-CURED)				56,351	56,351	56,351
PEANUTS						
A Peanut allotments	79,759	79,759	79,759	5,408	5,408	5,408
B Allotments released and reapportioned	2,963	2,963	2,963	370	370	370
C Transfer of allotment	18,824	18,824	18,824	5,319	5,319	5,319
D Marketing Cards	67,101	67,101	67,101	6,252	6,252	6,252
Total, PEANUTS				17,349	17,349	17,349

COUNTY OFFICE WORKLOAD DATA

TABLE II

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
COTTON PROGRAM						
A Farm acreage allotments	547,663	547,663	547,663	82,477	82,477	82,477
B Allotments released and reapportioned ..	168,546	168,546	168,546	9,872	9,872	9,872
C Transfer of Upland or ELS allotments	37,318	37,318	37,318	9,500	9,500	9,500
D Participating farms	247,181	247,548	247,548	6,564	6,616	6,616
Total, COTTON PROGRAMS				108,413	108,465	108,465
RICE PROGRAM						
A Rice allotments	15,178	15,195	18,996	3,413	1,991	2,489
B Allocation of allotments	10,801	10,801	13,503	1,270	1,270	1,588
C Allotments released and reapportioned ...	2,667	2,667	3,334	445	445	556
Total, RICE				5,128	3,706	4,633
SUGARBEETS						
A Participating ownership tracts	38,529	38,529	---	4,612	4,612	---
B Sugar payments	22,989	22,989	3,448	5,486	5,486	823
Total, SUGARBEETS				10,098	10,098	823
SUGARCANE						
A Proportionate shares	720	720	---	253	253	---
B Participating ownership tracts	7,390	7,390	---	1,354	1,354	---
C Sugar payments	5,266	5,266	790	1,709	1,709	256
Total, SUGARCANE				3,316	3,316	256
REFERENDA (all commodities)						
A Mail referenda	435,470	159,736	130,000	6,704	3,558	2,896
B Polling place referenda	291,274	17,059	15,000	8,219	555	488
Total, REFERENDA				14,923	4,113	3,384

COUNTY OFFICE WORKLOAD DATA

TABLE II

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
LAND RETIREMENT PROGRAMS (CAP, CCP, WBP)						
A Request for agreement	3,181	2,751	2,705	2,484	2,196	2,159
B Agreements	37,685	35,333	34,737	15,357	14,581	14,335
C Cost-sharing	1,157	928	912	277	235	231
Total, LAND RETIREMENT PROGRAMS				18,118	17,012	16,725
ALSCP						
A Request for contract	12	---	---	34	---	---
B Cost-share contract	7,649	6,179	6,179	410	374	374
C Cost-sharing	1,942	2,236	2,236	1,167	1,321	1,321
Total, ALSCP				1,611	1,695	1,695
RECONSTITUTIONS AND FARM PRODUCER DATA						
A Reconstitution of farms	889,796	889,796	889,796	92,117	92,117	92,117
B Maintaining basic farm and producer data ..	1,105,597	1,105,597	1,105,597	175,209	175,209	175,209
Total, RECONSTITUTIONS				267,326	267,326	267,326
APPEALS, REQUEST FOR RECONSIDERATION						
A Allotments and/or feed grain bases	7,791	7,791	7,791	4,246	4,246	4,246
B Yields	18,579	18,579	18,579	9,589	9,589	9,589
C Conserving bases	8,542	8,642	8,642	3,777	3,777	3,777
D All other request for reconsideration	40,918	---	---	7,833	---	---
Total, APPEALS, REQUEST FOR RECONSIDERATION				25,445	17,612	17,612

TABLE II

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1974	1975 Est.	1976 Est.	1974	1975 Est.	1976 Est.
ADMINISTRATIVE AND DEFENSE						
A Administrative checks issued	881,370	881,370	881,370	439,132	439,132	439,132
B Defense Operations	8,151	8,151	8,151	11,873	11,873	11,873
Total, ADMINISTRATIVE AND DEFENSE				451,005	451,005	451,005
COMMITTEE ELECTIONS						
A Committeemen	55,935	55,935	55,935	206,022	206,022	206,022
Total, COMMITTEE ELECTIONS				206,022	206,022	206,022
TOTAL NORMAL MAN-DAYS				2,583,831	2,525,575	2,514,200

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Table III

Item and Commodity	1974 Actual	1975 Estimate	1976 Estimate	Increase (+) or Decrease (-)	
				Quantity	Percent
1. <u>LOANS MADE</u>					
Cotton (bales).....	326	369	2,107	+1,738	+471
Corn (bu.).....	260,563	75,000	150,000	+75,000	+100
Grain sorghums (bu.).....	19,641	3,000	10,000	+7,000	+233
Wheat (bu.).....	60,921	35,000	60,000	+25,000	+71
Soybeans (bu.).....	124,176	25,000	-	-25,000	-100
Rice, rough (cwt.).....	19,145	15,000	30,000	+15,000	+100
Other grains (bu.) ^{1/2}	27,214	15,675	22,230	+6,555	+42
2. <u>ACQUISITIONS</u>					
Cotton (bales).....	-	-	-	-	-
Dairy products (lb.).....	46,831	538,300	330,000	-208,300	-39
Corn (bu.).....	2,004	1,000	342	-658	-66
Grain sorghums (bu.).....	5,608	6,097	9,370	+3,273	+54
Wheat (bu.).....	218	4,000	10	-3,990	-100
Soybeans (bu.).....	4	-	-	-	-
Rice (cwt.).....	594	11	-	-11	-100
Other grains (bu.) ^{1/2}	382	-	-	-	-
3. <u>DISPOSITIONS</u>					
Cotton (bales).....	2	-	-	-	-
Dairy products (lb.) ^{2/3}	103,439	347,558	221,757	-125,801	-36
Corn (bu.).....	75,233	7,980	1,342	-6,638	-83
Grain sorghums (bu.).....	17,954	7,788	9,370	+1,582	+20
Wheat (bu.).....	125,374	17,920	5,010	-12,910	-72
Soybeans (bu.).....	10	-	-	-	-
Rice (cwt.).....	598	12	-	-12	-100
Other grains (bu.) ^{1/2}	75,859	32,957	15,100	-17,857	-54
4. <u>ENDING INVENTORIES</u>					
Cotton (bales).....	-	-	-	-	-
Dairy products (lb.) ^{2/3}	42,003	232,745	340,988	+108,243	+47
Corn (bu.).....	7,980	1,000	-	-1,000	-100
Grain sorghums (bu.).....	1,691	-	-	-	-
Wheat (bu.).....	18,920	5,000	-	-5,000	-100
Soybeans (bu.).....	-	-	-	-	-
Rice (cwt.).....	1	-	-	-	-
Other grains (bu.) ^{1/2}	13,057	40,100	25,000	-15,100	-38

^{1/} Includes barley, oats, rye, flaxseed and dry edible beans.

^{2/} Includes butter, cheese, nonfat dry milk.

WORK ITEM NO.	ACT. Y.	F. MEASURE	FISCAL YEAR			FISCAL YEAR			FISCAL YEAR		
			1974 Actual			1975 Estimate			1976 Estimate		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
DIRECT LABOR											
PROGRAM ACTIVITIES											
01		Storage Management									
02		Tariff and Section 22 Quotations	4,290	511	8.4	4,580	530	8.6	4,580	530	8.6
03		Tariff, Suppl., Quotation	134,312	44,771	3.0	135,500	46,724	2.9	135,500	46,724	2.9
04		Tobacco Allocations and Sales	1,668,190	191,746	8.7	1,560,000	208,000	7.5	1,560,000	208,000	7.5
05		PVCO Processing Support	-	-	-	-	-	-	-	-	-
06		Audit of Tonnage	41,010	7,071	5.8	27,070	5,885	6.5	27,070	5,885	6.5
07		Periodic Storage and Other Payments	36,203	3,204	11.3	33,378	4,335	7.7	33,378	4,335	7.7
08		Settlements	147,803	9,296	15.9	116,792	8,716	13.4	116,792	8,716	13.4
09		Loading Orders Issued or Notices to Deliver	139,943	4,346	32.2	70,771	4,044	17.5	70,771	4,044	17.5
10		Reconciliation of Transit	10,088	6,725	1.5	11,867	7,000	1.7	11,867	7,000	1.7
11		Reconciliation Orders Issued, Cotton	-	-	-	-	-	-	-	-	-
12		B/L or Del. Receipts, (Carlots)	138,291	2,783	49.7	144,665	2,800	51.7	144,665	2,800	51.7
13		Freight Payments, All Commodities	117,366	4,639	25.3	119,952	5,658	21.2	119,952	5,658	21.2
14		Freight Bill (Draft)	108,607	15,297	7.1	193,935	16,435	11.8	193,935	16,435	11.8
15		Public Law 480	1,371	381	3.6	832	300	2.8	832	300	2.8
16		Supplier's Invoice, Regn.	7,647	3,059	2.5	4,000	3,077	1.3	4,000	3,077	1.3
17		Application for Payment	9,749	10,832	.9	17,000	11,000	1.5	15,000	11,000	1.4
18		Transaction, Line Item	31,949	2,640	12.1	27,367	2,534	10.8	16,694	2,500	6.7
19		Carlot	44,854	2,232	20.1	34,863	1,864	18.7	21,266	1,800	11.8
20		Purchase Payments	2,784	6,960	.4	-	-	-	-	-	-
21		Cotton	153,307	6,666	23.0	104,746	5,918	17.7	63,895	5,000	12.8
22		Grain & Bulk Commodities	18,907	6,752	2.8	13,899	5,560	2.5	8,478	5,000	1.7
23		Processed Commodities	5,546	1,155	4.8	5,480	1,074	5.1	5,480	1,074	5.1
24		Shipping Authorization	101,449	6,588	15.4	147,226	19,630	7.5	238,506	20,000	11.9
25		Note	-	-	-	484,500	78,145	6.2	800,000	80,000	10.0
26		Grain Etc.	-	-	-	78,443	13,074	6.0	147,000	15,000	9.8
27		Cotton Form A	-	-	-	123,000	41,000	3.0	100,000	40,000	2.5
28		Cotton Form G	28,193	18,795	1.5	135,340	56,392	2.4	135,340	56,392	2.4
29		Storage Facility & Equip. Loan Activity	314,634	85,036	3.7	13,980	46,600	.3	56,586	56,586	1.0
30		Commodity	-	-	-	56,586	56,586	.2	133	360	.1
31		Loans Repaid	-	-	-	-	-	-	-	-	-
32		Cotton Form A	-	-	-	-					

WORK ITEM NO.	ACT. Y.	F. MEASURE	FISCAL YEAR			FISCAL YEAR			FISCAL YEAR		
			1974 Actual			1975 Estimate			1976 Estimate		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
DIRECT LABOR											
PROGRAM ACTIVITIES											
01		Storage Management	4,290	511	8.4	4,580	530	8.6	4,580	530	8.6
02		Tariff and Section 22 Quotations	134,312	44,771	3.0	135,500	46,724	2.9	135,500	46,724	2.9
03		Tobacco Allocations and Sales	1,668,190	191,746	8.7	1,560,000	208,000	7.5	1,560,000	208,000	7.5
04		PVCO Processing Support	-	-	-	-	-	-	-	-	-
05		Audit of Tonnage	41,010	7,071	5.8	27,070	5,885	6.5	27,070	5,885	6.5
06		Periodic Storage and Other Payments	36,203	3,204	11.3	33,378	4,335	7.7	33,378	4,335	7.7
07		Settlements	147,803	9,296	15.9	116,792	8,716	13.4	116,792	8,716	13.4
11		Loading Orders Issued or Notices to Deliver	139,943	4,346	32.2	70,771	4,044	17.5	70,771	4,044	17.5
12		Reconciliation of Transit	10,088	6,725	1.5	11,867	7,000	1.7	11,867	7,000	1.7
13		Reconciliation Orders Issued, Cotton	-	-	-	-	-	-	-	-	-
14		Deliveries	138,291	2,783	49.7	144,665	2,800	51.7	144,665	2,800	51.7
15		Freight Payments, All Commodities	117,366	4,639	25.3	119,952	5,658	21.2	119,952	5,658	21.2
16		Post Audit of Freight Bills	108,607	15,297	7.1	193,935	16,435	11.8	193,935	16,435	11.8
17		Public Law 480	1,371	381	3.6	832	300	2.8	832	300	2.8
18		Supplier's Invoice, Regn.	7,647	3,059	2.5	4,000	3,077	1.3	4,000	3,077	1.3
19		Application for Payment	9,749	10,832	.9	17,000	11,000	1.5	15,000	11,000	1.4
20		CCC Storage, Bins and Equipment	31,949	2,640	12.1	27,367	2,534	10.8	16,694	2,500	6.7
21		Purchases	44,854	2,232	20.1	34,863	1,864	18.7	21,266	1,800	11.8
		Cotton	2,784	6,960	.4	-	-	-	-	-	-
		Grain & Bulk Commodities	153,307	6,666	23.0	104,746	5,918	17.7	63,895	5,000	12.8
22		Donations	18,907	6,752	2.8	13,899	5,560	2.5	8,478	5,000	1.7
		Processed Commodities	5,546	1,155	4.8	5,480	1,074	5.1	5,480	1,074	5.1
26		Freight Forwarding	101,449	6,588	15.4	147,226	19,630	7.5	238,506	20,000	11.9
		Grain Etc.	-	-	-	484,500	78,145	6.2	800,000	80,000	10.0
27		Commodity Loans Made	-	-	-	-	-	-	-	-	-
		Cotton Form A	-	-	-	-	-	-	-	-	-
		Cotton Form G	-	-	-	78,443	13,074	6.0	147,000	15,000	9.8
28		Storage Facility & Equip. Loan Activity	28,193	18,795	1.5	123,000	41,000	3.0	100,000	40,000	2.5
30		Commodity Loans Repaid	314,634	85,036	3.7	135,340	56,392	2.4	135,340	56,392	2.4
		Grain Etc.	-	-	.2	13,980	46,600	.3	13,980	46,600	.3
		Cotton Form A	-	-	.5	56,586	56,586	1.0	56,586	56,586	1.0
		Cotton Form G	-	-	-	-	-	-	-	-	-
32		Commodity Acquisition Farm Stored	358	511	.7	133	665	.2	133	665	.2
		Settlement Documents	-	-	-	-	-	-	-	-	-
		W/R or Line Item	458	1,527	.3	36	360	.1	36	360	.1
33		Warehouse Stored	-	-	-	-	-	-	-	-	-
		Grain	-	-	-	-	-	-	-	-	-
		Cotton Form A	-	-	-	-	-	-	-	-	-
		Cotton Form G	-	-	-	-	-	-	-	-	-

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CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	MEASURE	FISCAL YEAR			1974 Actual			FISCAL YEAR			1975 Estimate			FISCAL YEAR			1976 Estimate		
		1974 Actual			1975 Estimate			1976 Estimate			1977 Estimate			1978 Estimate			1979 Estimate		
		TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MONTH	MAN-YEARS
36	Sight Drafts	4,190,846	281,231	14.9	2,000,000	169,491	11.8	2,000,000	169,491	11.8	2,000,000	169,491	11.8	2,000,000	169,491	11.8	2,000,000	169,491	11.8
37	Producer Payments Reporting	302,316	107,970	2.8	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4
38	Feed Grain, Wheat & Cotton Div. Programs	741,646	172,476	4.3	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4
39	Wheat Certificate Program	8,118	3,382	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4
40	County Office Administrative Exp. System	508,005	188,150	2.7	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4
41	County Office Workload & Fund Allocation	51,385	256,925	2.2	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4	500,000	41,667	2.4
42	Reports	9,140	486	18.8	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7
43	Claims	15,222	362	42.1	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7	12,623	318	39.7
44	Wool Applications and Reporting	19,564	3,839	5.2	22,500	4,000	5.6	22,500	4,000	5.6	22,500	4,000	5.6	22,500	4,000	5.6	22,500	4,000	5.6
45	Accounts Receivable	627,514	37,352	16.8	428,226	36,916	11.6	428,226	36,916	11.6	428,226	36,916	11.6	428,226	36,916	11.6	428,226	36,916	11.6
46	Cash Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Appropriated Fund Data Processing Serv.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Program Support to ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	MISCELLANEOUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	TOTAL PROGRAM ACTIVITIES	-	-	374.1	-	-	338.4	-	-	338.4	-	-	332.0	-	-	332.0	-	-	332.0
51	Integrated System Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	Initial System Definition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Initial System Design	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	Initial Programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Related Technical Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	ADP Systems Analysis Other Than ISP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
58	Initial System Definition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	Initial System Design	680	22	31.3	161	10	16.1	161	10	16.1	161	10	16.1	161	10	16.1	161	10	16.1
60	System Maintenance	1,972	155	12.7	1,208	100	12.1	1,208	100	12.1	1,208	100	12.1	1,208	100	12.1	1,208	100	12.1
61	Other	-	-	17.9	-	-	13.2	-	-	13.2	-	-	13.2	-	-	13.2	-	-	13.2
62	Programming Other Than ISP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	Initial Programming	637	23	27.5	113	10	11.3	113	10	11.3	113	10	11.3	113	10	11.3	113	10	11.3
64	Programming Maintenance	2,163	70	31.1	1,212	50	24.4	1,212	50	24.4	1,212	50	24.4	1,212	50	24.4	1,212	50	24.4
65	Other	-	-	16.7	-	-	10.4	-	-	10.4	-	-	10.4	-	-	10.4	-	-	10.4

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CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

ACCT- ITEM NO.	IN - MEASURE	FISCAL YEAR				FISCAL YEAR				FISCAL YEAR			
		1974 Actual				1975 Estimate				1976 Estimate			
		TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS		TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS		TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	
Computer Operations and Control													
59.1	Computer Terminal Operations	-	-	-	-	2,500	1,087	2.3	-	3,261	1,087	3.0	-
59.2	Job Card Writing	139,539	13,164	10.6	-	230,414	16,341	14.1	-	230,414	16,341	14.1	-
59.3	Machine Utilization Recording	-	-	-	-	-	-	-	-	-	-	-	-
59.4	Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL AUTOMATIC DATA PROCESSING ACTIVITIES		-	-	147.8	-	-	-	178.7	-	-	-	185.1	-
Personnel Work													
60.1	Employment	778	288	2.7	-	780	283	2.5	-	708	283	2.5	-
60.2	Employer Relations and Development	607	552	1.1	-	315	350	.9	-	315	350	.9	-
61.1	Budget and Management Analysis	874	70	12.5	-	1,103	70	15.8	-	1,103	70	15.8	-
61.2	Management Projects and Studies	513	21	24.0	-	503	21	23.9	-	503	21	23.9	-
61.3	Procedure Development and Maintenance	-	-	4.8	-	-	-	4.5	-	-	-	4.5	-
62	Mail and Messenger Service	1,573,304	271,259	5.8	-	1,449,000	301,875	4.8	-	1,449,000	301,875	4.8	-
Miscellaneous Administrative Activities													
63.1	Records Management	259,969	123,795	2.1	-	258,500	143,611	1.8	-	258,500	143,611	1.8	-
63.2	Reproduction	6,512	1,973	3.3	-	6,600	2,129	3.1	-	6,600	2,129	3.1	-
63.3	Other Administrative Activities	-	-	5.0	-	-	-	4.8	-	-	-	4.8	-
TOTAL ADMINISTRATIVE ACTIVITIES		-	-	61.3	-	-	-	62.1	-	-	-	62.1	-
TOTAL DIRECT LABOR, LESS LEAVE		-	-	583.2	-	-	-	579.2	-	-	-	579.2	-
65	LEAVE, DIRECT LABOR ()	-	-	120.0	-	-	-	121.6	-	-	-	121.6	-
TOTAL DIRECT LABOR		-	-	703.2	-	-	-	700.8	-	-	-	700.8	-
TOTAL INDIRECT LABOR		-	-	81.9	-	-	-	80.0	-	-	-	80.0	-
TOTAL PAID LABOR		-	-	785.1	-	-	-	780.8	-	-	-	780.8	-

REMARKS

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

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ACTIVITY	FISCAL YEAR 1974		FISCAL YEAR 1975		FISCAL YEAR 1976	
	Actual Cost	Man-Years	Estimated Cost	Man-Years	Estimated Cost	Man-Years
Total Community Offices and Data Systems						
Field Office	--	785.1	--	780.8	--	780.8
Management Field Offices	--	71.6	--	77.4	--	77.4
Total	--	856.7	--	858.2	--	858.2
Average Salary	\$(13,007)	--	\$(14,476)	--	\$(14,766)	--
Personnel Compensation	11,142,692	--	12,423,303	--	12,672,181	--
Less Man-Years Overtime	--	7.7	--	15.5	--	15.5
Total Object 12 - 26	2,099,805	--	2,340,550	--	2,387,439	--
Total All Objects	13,242,497	849.0	14,763,853	842.7	15,059,620	842.7
Washington Divisions & Offices	16,104,503	303.7	14,562,147	282.3	14,606,380	282.3
Use of Reserve (ASCS) for Pay & Related Costs	--	--	1,634,000	--	--	--
Subtotal	(29,347,000)	1,152.7	(30,960,000)	1,125.0	(29,666,000)	1,125.0
Transfer to AMS	2,822,431	--	3,308,000	--	3,343,000	--
Transfer to EMS	2,045,831	--	--	--	--	--
Transfer to FAS	1,302,901	--	3,632,000	--	3,404,000	--
Transfer to the Office of the Sales Manager	--	--	100,000	--	200,000	--
Total Estimated Obligations	35,518,163	--	38,000,000	--	36,613,000	--
Reserve:						
Contingency	2,648,000	--	--	--	2,787,000	--
Unobligated Balance	1,733,837	--	--	--	--	--
Limitation	39,900,000	--	38,000,000	--	39,400,000	--

TRANSITION BUDGET

Salaries and Expenses, Agricultural
Stabilization and Conservation Service

	<u>Direct</u> <u>Appropriation</u>	<u>Transfers from</u> <u>Commodity Credit</u> <u>Corporation</u>	<u>Total</u>
Transition Budget Estimate	\$38,012,000	\$18,143,000 <u>1/</u>	\$56,155,000

1/ Includes \$8,113,000 under the limitation on CCC Administrative Expenses, which also includes a contingency reserve of \$696,000.

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

Activities in fiscal year 1974 included the following:

Number of requests for cost-sharing	241,105
Number of conservation materials and service orders	50,216
Number of referrals for technical service	127,357
Number of approvals, performance reports, and applications for payment	45,684
Number of pooling agreements	1,162
Number of long-term agreements	1,188

Feed grain, wheat, and cotton programs. The main objectives of these programs under provisions of the Agricultural Act of 1973, are to assure consumers continued abundant supplies of food and fiber at fair and reasonable prices while improving farm income, affording producers more opportunity to produce the crops of their choice, encouraging market growth at home and abroad, and providing administrative flexibility to assure effective program operation while keeping down government costs. The Act also authorized disaster payments for prevented plantings and low yields due to natural disasters.

Number of participating farms (1974 crop):	
Feed Grain and Wheat	216,813
Cotton (Upland)	247,181

Support program. Support is mandatory for the commodities designated as "basic" in the Agricultural Adjustment Act of 1938, as amended - tobacco, peanuts, cotton, wheat, corn, and rice. Mandatory nonbasic commodities include barley, oats, rye, grain sorghums, tung nuts and oil, honey, milk, butterfat, and the products of milk and butterfat. The Secretary is also authorized to make support available on other than mandatory nonbasic commodities. Support is available to producers through loans, payments, and purchases.

Activities under the program include reinspection of farm-stored loans, processing loan repayments, acquiring commodities, and the sale of grain under the livestock feed program.

Support program activities in fiscal year 1974 included:

Number of support loans	1,839,784
Number of loan repayments and reconcentration settlements	395,577
Reinspection of farm-stored loans	56,953
Number of farm-stored loans taken over	794
Number of reseals	181
Number of warehouse loans acquired (except cotton)	728

Wool Act program This is an incentive program to increase the annual domestic production of wool. The National Wool Act of 1954 authorized the program as a measure for national security and in promotion of the general welfare. The Agricultural Act of 1973 extended the program and established incentive prices for 1974-1977.

Payments are set at a level to bring the national average price received by all producers up to the national price of 72¢ per pound.

Number of applications for payment	177,437
--	---------

CCC-owned storage facilities. This program is authorized under the CCC Charter Act. Every effort is made to make maximum use of commercial facilities in the storage of CCC-owned commodities.

Number of structures (as of June 30, 1974)	4,092
Number of bushels in storage (as of June 30, 1974)	8,400,000
Number of structures (as of October 17, 1974)	31

Under this program, Government-owned structures not needed are temporarily rented to farmers for their use, or are sold to farmers and nonprofit organizations. In the fiscal year 1974, 35,766 structures, with a capacity of 182.6 million bushels, were transferred or sold on a sealed bid or public auction basis.

Farm storage facility program. Under this program recourse loans are made to help farmers finance storage facilities and equipment on their own farms.

Number of active facility and dryer loans (as of June 30, 1974)	118,040
Dollar value of loans outstanding June 30, 1974	275,005,000

Land retirement programs - Cropland Adjustment, Cropland Conversion, and Water Bank Act programs. Under these programs, authorized by the Food and Agriculture Act of 1962, 1965, and 1970, farmers entered into long-term agreements to convert cropland from production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

Number of agreements	37,685
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(b) Sugar Act Program

Appropriation Act, 1975	\$85,700,000
Budget Estimate, 1976	- -
Decrease in Appropriation	-85,700,000

SUMMARY OF DECREASES
(On basis of appropriation)

	<u>1975</u>	<u>Decrease</u>	<u>1976</u>
Payments to sugar producers:			
a Continental beet area	\$49,033,000	-\$49,033,000	- -
b Continental (Louisiana- Florida) cane area	18,408,000	-18,408,000	- -
c Texas cane area	1,038,000	-1,038,000	- -
d. Offshore cane area	<u>17,221,000</u>	<u>-17,221,000</u>	<u>- -</u>
Total available	85,700,000	-85,700,000	- -

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1974</u>	<u>1975</u> (estimated)	<u>Decrease</u>	<u>1976</u>
Payments to sugar producers:				
a. Continental beet area ...	\$58,377,000	\$49,033,000	-\$49,033,000	- -
b. Continental (Louisiana- Florida) cane area	16,296,000	18,408,000	-18,408,000	- -
c. Texas cane area	800,000	1,038,000	-1,038,000	- -
d. Offshore cane area	13,027,000	17,221,000	-17,221,000	- -
Total, appropriation or estimate	88,500,000	85,700,000	-85,700,000	- -

EXPLANATION OF PROGRAM

The Sugar Act of 1948, as amended, expired December 31, 1974. The chief objective of the Act was "to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry." This involved determination of U. S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. The quota for each domestic area was allotted to individual sellers to achieve orderly marketing. Restrictive farm acreage allotments were established for producers when necessary to avoid surpluses. Payments to supplement farm income were made to domestic sugar growers who complied with certain labor, wage, price and marketing requirements prescribed by law.

The last extension of the Sugar Act provided for making payments for the 1974 and previous crops. Although some 1974 crop payments, namely, the Southern area, California, the Lowland area in Arizona, and the 1974-1975 Puerto Rican crop will not be made until fiscal year 1976, no additional funds will be required for this purpose.

DECREASES

A decrease of \$85,700,000 due to the expiration of the Sugar Act of 1948, as amended, on December 31, 1974.

STATUS OF PROGRAM

The Sugar Act of 1948, as amended, which expired December 31, 1974, had a three-fold purpose:

To protect the welfare of the U. S. sugar industry.

To provide U. S. consumers with ample supplies of sugar at reasonable prices.

To promote and strengthen the export trade of the United States.

Receipts. Receipts under the sugar program exceed government outlays. The Sugar Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct-consumption. The excise tax on sugar, under Public Law 92-138, expires on June 30, 1975.

The U. S. Sugar Act had five main features:

1. Setting U. S. Sugar Requirements. The quantity of sugar needed to maintain adequate supplies at reasonable prices for U. S. consumers and to assure fair prices of U. S. producers was determined for each year by the Secretary of Agriculture.
2. Establishing Sugar Quotas. This yearly sugar requirement was divided among specified domestic and foreign producing areas through quotas assigned to each.
3. Providing Marketing Allotments. Within domestic quotas, allotments were established for domestic processors, when needed, to keep the sugar movements orderly in the marketing channels. No marketing allotments were in effect during 1974.
4. Setting Farm Proportionate Shares. Domestic farm production was limited, as needed, to the acreage required to produce the sugar needed to meet domestic quotas and to maintain sugar inventories. When it was determined that production plus carryover was likely to be greater than needed, restrictive proportionate shares were established for each farm.
5. Making Conditional Payments to Producers. Payments were made to producers to compensate them for adjusting their production. In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the payments had three objectives: (a) to help growers obtain adequate income for sugarcane and sugar beet production; (b) to assure growers and their field workers a fair share of the returns to the sugar industry; and (c) to prevent the employment of child labor in field work on sugar crops.

Special conditional payments were also authorized for crop deficiency or abandonment of planted acreage caused by natural disasters.

Obligations for the 1973 crop, totaling an estimated \$83,623,000 are shown below:

<u>State</u>	<u>Obligations</u>
<u>Continental beet area:</u>	
Arizona	\$423,359
California	14,437,636
Colorado	4,123,803
Idaho	6,350,890
Kansas	1,162,232
Michigan	3,406,436
Minnesota	4,683,320
Montana	1,939,849
Nebraska	3,210,332
New Mexico	27,032
North Dakota	2,786,018
Ohio	1,017,897
Oregon	974,800
Texas	792,332
Utah	725,460
Washington	5,217,946
Wyoming	<u>2,220,658</u>
Sub-total	\$53,500,000
<u>Continental cane area:</u>	
Florida	7,808,048
Louisiana	<u>8,487,952</u>
Sub-total	16,296,000
<u>Texas cane area:</u>	800,000
<u>Offshore cane area:</u>	
Hawaii	9,510,000
Puerto Rico	<u>3,517,000</u>
Sub-total	<u>13,027,000</u>
Total	83,623,000

Fair Wage and Price Determinations. The Secretary, as authorized under the Act, determined fair and reasonable minimum wage rates for fieldworkers, and fair prices for sugarcane and sugarbeets. These determinations were issued after investigation, notice, and public hearing.

Studies, Surveys and Reports. Special cost studies and surveys were made in order to develop basic data for use in making wage and price determinations, as well as for other program operations under the Sugar Act.

Field cost survey covering the operations of 320 sugarbeet producers for the 1972 crop and all 54 operating beet sugar factories for the 1970-1972 crops was conducted during calendar year 1973. A formal cost study report of the survey was issued in August 1974.

International Sugar Agreement. The International Sugar Agreement expired at the end of 1973, but a new instrument, International Sugar Organization, 1973, was adopted which keeps alive the statistical arm of the organization. The United States is not a member of the International Sugar Organization but maintains liaison with that organization and supplies sugar statistics to the organization on a monthly basis.

The following tables and charts show (a) sugar requirements and quotas for calendar years 1973 and 1974; (b) Sugar Program tax collections and obligations, FY 1938-75; (c) sugar tax collections, program obligations, and acres of production for FY 1966-75; and (d) Sugar Program financial requirements.

TABLE I

SUGAR REQUIREMENTS AND QUOTAS - CALENDAR YEARS 1973 and 1974

Production Area	1973 Quotas (Final)	1974 Quotas
	Short tons	tons, raw value
Continental beet sugar	3,500,000 <u>1/</u>	3,100,000 <u>1/</u>
Continental cane sugar (Louisiana and Florids)	1,643,000	1,414,333 <u>1/</u>
Texas cane sugar	5,000 <u>1/</u>	60,000 <u>1/</u>
Hawaii	1,143,000 <u>1/</u>	1,010,000 <u>1/</u>
Puerto Rico	90,000 <u>1/</u>	150,000 <u>1/</u>
Philippines	1,462,663	1,743,258
Other foreign countries	3,956,337	5,022,409
Total requirements	11,800,000	12,500,000

1/ Adjusted for deficits

NOTE: Deposit deficits declared, domestic areas retain right to market the amounts of their unadjusted quotas.

SUGAR PROGRAM TAX COLLECTIONS AND OBLIGATIONS, FY 1938-75

TABLE II

Fiscal Year	Sugar Tax Collections				Total Sugar Program Obligations <u>4/</u>
	Excise Tax <u>1/</u>	Import Compensating Tax <u>2/</u>	Sugar Import Fee <u>3/</u>	Total	
1938-1947	\$618,711,749	\$41,097,312		\$659,809,061	\$481,880,677
1948-1957	776,786,154	42,102,459		818,888,613	631,470,891
1958-1967	950,157,000	21,195,698	\$41,278,409	1,012,631,107	803,792,598
1968	102,270,000	306,590		102,576,590	81,909,000
1969	108,191,000	203,600		108,394,600	91,286,000
1970	113,309,000	180,000		113,489,000	95,084,000
1971	113,556,000	140,000		113,696,000	85,465,000
1972	115,752,000	152,800		115,904,800	88,201,000
1973	113,616,000	189,400		113,805,400	86,779,000
1974	120,006,000	59,000		120,065,000	90,965,000
Subtotal	3,132,354,903	105,626,859	41,278,409	3,279,260,171	2,536,833,166
1975 (Est.)	109,000,000	2,000,000		111,000,000	88,501,000
Total	3,241,354,903	107,626,859	41,278,409	3,390,260,171	2,625,334,166

Tax collections exceed total obligations in the amount of \$742,427,005 for fiscal years 1938 through 1974.

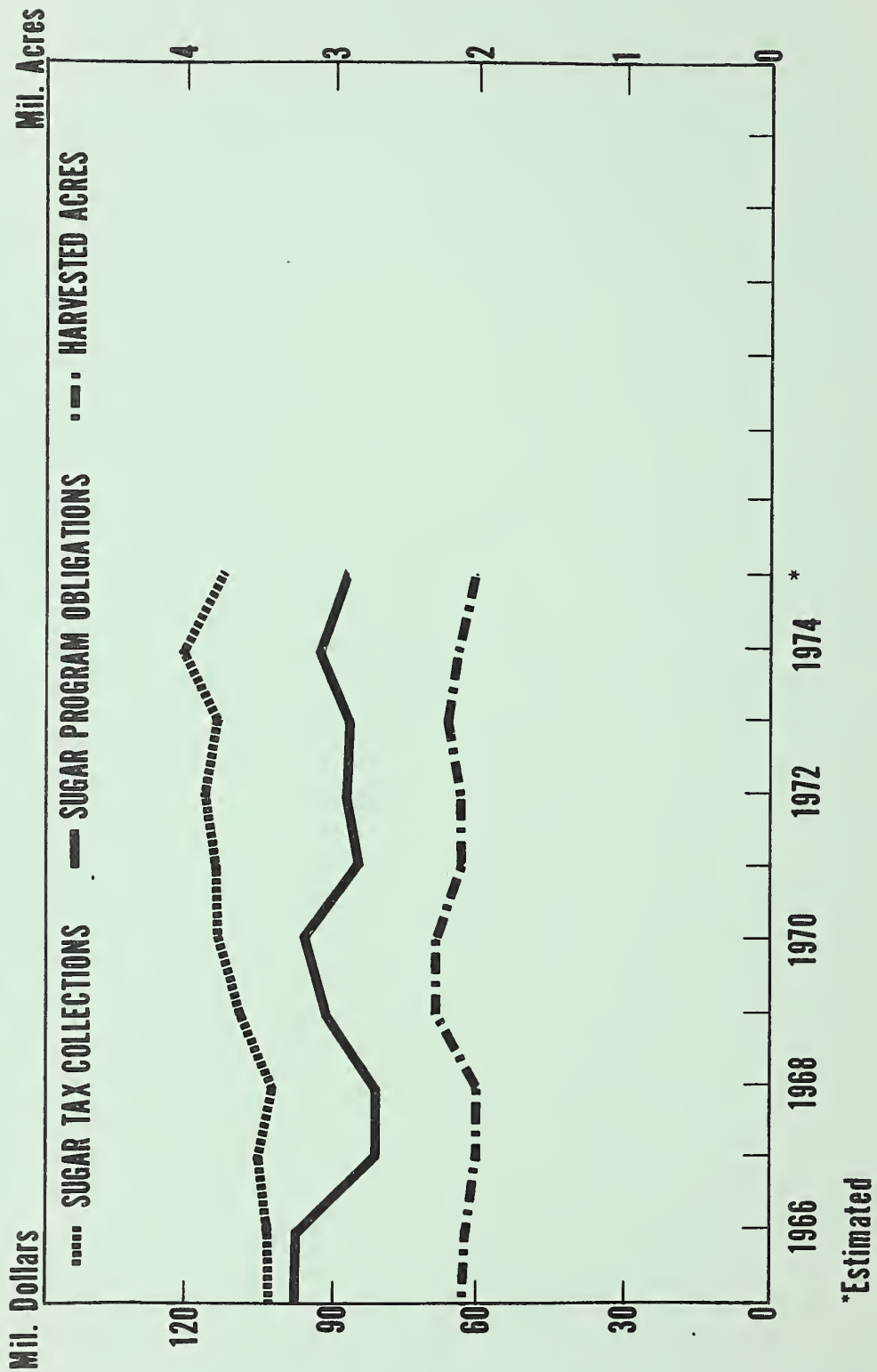
1/ 50c per 100 lbs., raw value, on all beet or cane sugar manufactured in the Continental U. S. for human consumption.

2/ 50c per 100 lbs., raw value, on all foreign direct-consumption sugar imported into Continental U. S.

3/ Applicable to imports of all foreign sugar (except Philippines' basic quota)--variable in size since it was dependent on price relationship between domestic and world sugar prices. Statutory authority for the sugar import fee ended December 31, 1964.

4/ Includes operating expenses.

SUGAR TAX COLLECTIONS, PROGRAM OBLIGATIONS, AND ACRES OF PRODUCTION FY 1966-75



SUGAR PROGRAM FINANCIAL REQUIREMENTS

	1974 Appropriation 124/53305	1975 Appropriation 125/63305	Total
<u>1972 Sugar Program:</u>			
Payments to producers			
Continental Sugar Beet Area	\$6,608,130		\$6,608,130
Total	6,608,130		6,608,130
<u>1973 Sugar Program:</u>			
Payments to producers:			
Continental Sugar Beet Area	51,768,870	\$1,731,130	53,500,000
1/ Continental Sugar Cane Area	16,296,000		16,296,000
Texas Sugar Cane Area	800,000		800,000
Hawaii	9,510,000		9,510,000
Puerto Rico (1972-1973)	3,517,000		3,517,000
Total, 1973 program payments	81,891,870	1,731,130	83,623,000
<u>1974 Sugar Program:</u>			
Payments to producers:			
Continental Sugar Beet Area		47,301,870	47,301,870
1/ Continental Sugar Cane Area		18,408,000	18,408,000
Texas Sugar Cane Area		1,038,000	1,038,000
Hawaii		9,079,000	9,079,000
Puerto Rico (1973-1974)		4,002,000	4,002,000
Puerto Rico (1974-1975)		4,140,000	4,140,000
Total, 1974 program payments		83,968,870	83,968,870
Total Conditional Payments to Producers	88,500,000	85,700,000	
Total Appropriation	88,500,000	85,700,000	

1/ Louisiana and Florida.

(c) Cropland Adjustment Program

Appropriation Act, 1975	\$43,801,000
Budget Estimate, 1976	<u>42,000,000</u>
Decrease in Appropriation	-1,801,000

SUMMARY OF DECREASES
(On basis of appropriation)

	<u>1975</u>	<u>Decrease</u>	<u>1976</u> <u>Estimate</u>
Adjustment payments under 1966 program	\$18,250,000	-\$900,000	\$17,350,000
Adjustment payments under 1967 program	<u>25,551,000</u>	<u>-901,000</u>	<u>24,650,000</u>
Total	43,801,000	-1,801,000	42,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1974	1975 (estimated)	Decrease	1976 (estimated)
Adjustment payments	\$50,301,000	\$43,801,000	-\$1,801,000	\$42,000,000
Total available or estimate ...	<u>50,301,000</u>	<u>43,801,000</u>	<u>-1,801,000</u>	<u>42,000,000</u>
Transfer to other accounts for pay costs	1,599,000	- -		
Total, appropriation	<u>51,900,000</u>	<u>43,801,000</u>		

EXPLANATION OF PROGRAM

The Cropland Adjustment Program was authorized under Title VI of the Food and Agriculture Act of 1965, which expired December 31, 1970. This program assisted farmers, through long-term agreements, to divert cropland from the production of certain crops to more needed uses that promote the development and conservation of our soil, water, forest, wildlife, and recreational resources.

In return for diverting the cropland to approved public benefit uses, producers receive adjustment payments. They are also eligible to receive cost-sharing assistance for establishing approved land treatment measures. Additional incentive payments are made to producers who entered into agreements to permit free public access to land designated under the agreement, for hunting, trapping, fishing and hiking.

Under the Greenspan provisions of the program, funds were made available to Federal, State, or local governmental agencies for use in acquiring cropland for permanent conversion to specified public uses.

Agreements were for periods of not less than 5 years nor more than 10 years, and were approved only for 1966 and 1967. The last of the agreements will expire in fiscal year 1977.

DECREASES

The decrease of \$1,801,000 is due to fewer payments under the 1966 and 1967 programs as a result of expiration and modification of agreements on approximately 85,000 acres.

Payment requirements are based on an analysis of the agreements entered into under the 1966 and 1967 programs as of June, 1974 and reflect only the amounts required to meet obligations under existing agreements.

CROPLAND ADJUSTMENT PROGRAM FINANCIAL REQUIREMENTS
(In thousands)

Program	Fiscal Year 1974	Fiscal Year 1975	Fiscal Year 1976
1966 Program Payments:			
Cropland Adjustment	\$20,645	\$17,799	\$16,974
Public Access	670	450	375
Greenspan Annual Payments	1	1	1
1967 Program Payments:			
Cropland Adjustment	28,066	24,867	24,066
Public Access	880	650	550
Greenspan Annual Payments	39	34	34
Total Program Payments	50,301	43,801	42,000
Total, Appropriation or Estimate	50,301	43,801	42,000

TRANSITION BUDGET

Cropland Adjustment Program

Transition Budget Estimate \$21,000,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

Annual adjustment payments are considered earned upon filing an annual certification of compliance by the producer. Such certifications for fiscal year 1977 will have been filed and payments obligated prior to October 1, 1976, the due date for such payments. Therefore, in view of the three-month transition period ending September 30, 1976, budget authority for making 1977 fiscal year payments will be required in fiscal year 1976 for disbursement on October 1, 1976.

STATUS OF PROGRAM

Nature of Program. The Cropland Adjustment Program was authorized by the Food and Agriculture Act of 1965 which expired with the 1970 crop year. It shifted cropland producing crops in actual or potential surplus into long-term (5 to 10 years) conservation uses, and helped to serve farm and nonfarm people better through (a) helping State and local government agencies purchase cropland under the Greenspan provisions; (b) making available CAP acres for free public access for hunting, trapping, fishing, and hiking; and (c) more effective stabilization of watershed lands. Agreements with producers were entered into during calendar years 1966 and 1967. Programs for entering into new agreements were not authorized after calendar year 1967.

Adjustment payments are made to producers for diverting designated crops. Accepted agreements are paid at a rate determined by the crop diverted and the productivity of that crop on the farm. Producers are eligible to receive cost-sharing assistance for establishing approved measures to conserve soil, water, or forest resources, establish, protect or conserve open spaces, natural beauty, wildlife and recreational resources, and prevent air or water pollution.

Greenspan. Under the program's Greenspan provision, State and local governments were helped to acquire cropland to be permanently converted to public benefit uses, primarily for open spaces and recreational facilities. The CAP assistance for land-purchase agreements is comparable to what farmers would receive under the program over a 1-year period for diverting land out of certain crops and into conserving uses, but in no case could such aid exceed 50 percent of the cost of the cropland. Cost-shares may be paid for designated uses, consistent with the conditions and costs under agreements entered into with producers.

Public Access. Under the public access provision of the program, landowners receive additional compensation for land diverted from crop production by permitting free public access for hunting, trapping, fishing, and hiking. The added payment does not exceed \$3 per acre.

Statistical Data. Approximately 250,000 acres were released from agreements during fiscal year 1974. Additional acres are to be released yearly through fiscal year 1977, the final expiration date of all agreements under this program. The following tables and charts reflect current information regarding, (a) the number of agreements, designated acres, and payments by States in fiscal year 1974, (b) a projection of costs for the life of the agreements, and (c) the payments to producers and acres under agreement for fiscal years 1967 through 1976.

Cropland Adjustment Program
Number of Agreements, Designated Acres, and Payments by States
in Fiscal Year 1974

<u>State</u>	<u>Number of Agreements</u>	<u>Acres</u>	<u>Payments</u>
Alabama	1,435	83,559	\$2,280,522
Arizona	19	3,949	120,364
Arkansas	391	12,182	240,203
California	50	8,109	110,072
Colorado	394	82,198	784,695
Connecticut	81	1,067	67,040
Delaware	23	1,093	43,288
Florida	398	38,790	965,416
Georgia	2,186	121,410	3,612,014
Idaho	29	6,474	37,637
Illinois	451	29,949	907,561
Indiana	612	28,891	1,050,779
Iowa	378	31,971	975,618
Kansas	682	71,730	974,072
Kentucky	1,289	44,313	1,328,751
Louisiana	82	4,024	94,401
Maine	149	5,274	43,689
Maryland	69	3,199	82,078
Massachusetts	38	312	39,529
Michigan	2,893	130,225	2,516,871
Minnesota	2,294	173,846	2,401,417
Mississippi	565	21,823	520,033
Missouri	1,201	91,034	2,189,992
Montana	127	24,594	153,574
Nebraska	935	109,387	1,987,057
New Hampshire	2	23	1,513
New Jersey	89	4,463	132,957
New Mexico	1,068	249,014	2,806,018
New York	1,181	49,609	849,063
North Carolina	1,339	34,586	1,197,325
North Dakota	960	179,679	1,286,481
Ohio	1,433	55,133	1,522,202
Oklahoma	869	69,782	786,886
Oregon	36	3,461	44,250
Pennsylvania	1,210	45,332	959,783
Rhode Island	1	9	357
South Carolina	1,929	78,647	1,902,824
South Dakota	807	124,154	1,301,551
Tennessee	1,345	44,532	1,236,314
Texas	3,264	397,042	5,952,900
Utah	38	6,630	45,151
Vermont	41	1,094	16,203
Virginia	660	14,699	509,903
Washington	48	4,704	52,326
West Virginia	126	1,331	33,393
Wisconsin	2,984	127,591	2,923,577
Wyoming	35	4,082	51,870
Total	<u>36,236</u>	<u>2,625,000</u>	<u>47,142,520</u>

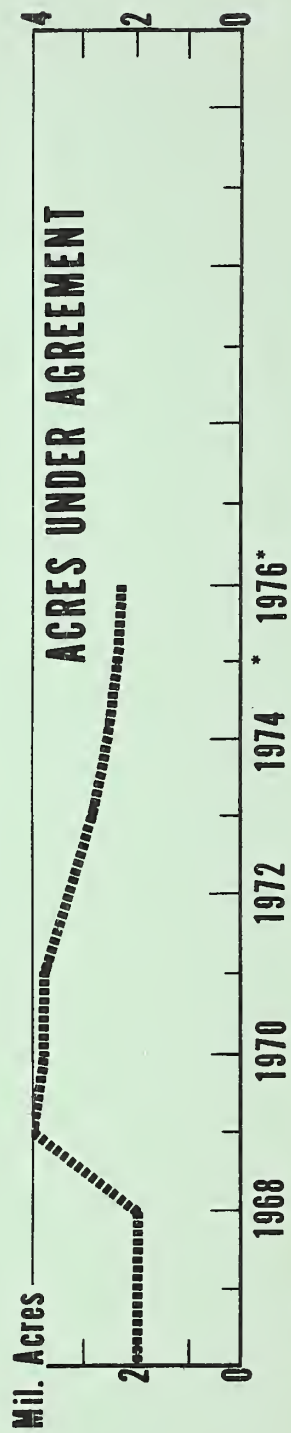
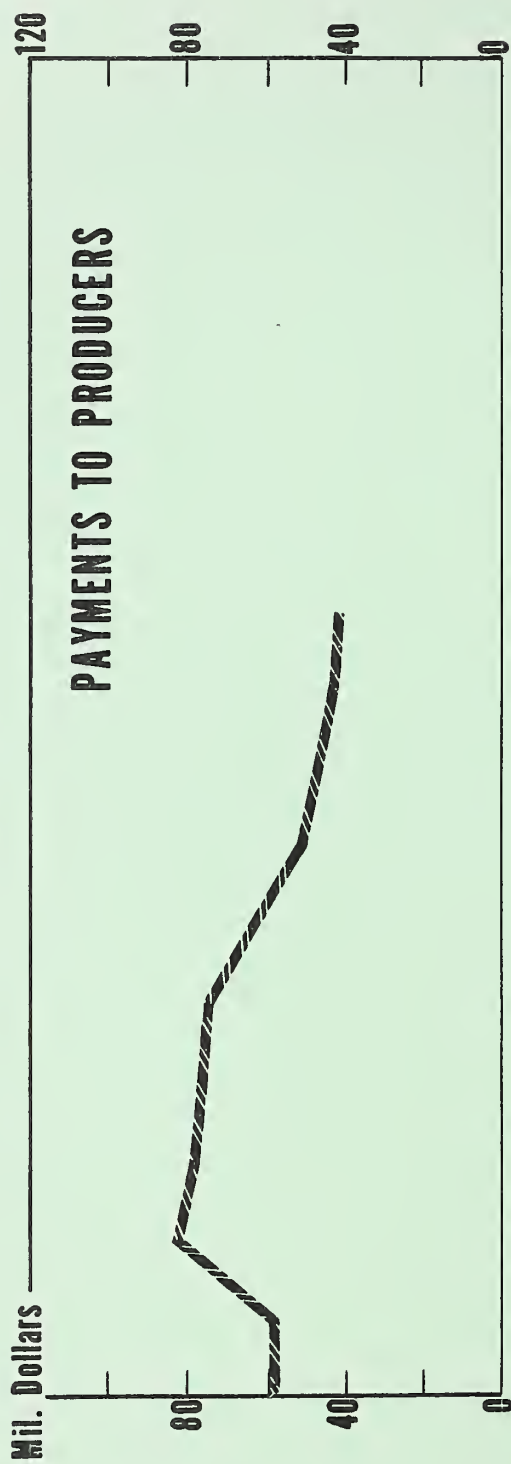
Cropland Adjustment Program

Total Payments for the Life of the Agreements
FY 1967-1977

<u>Fiscal Year</u>	<u>Acres</u> (Thousands)	<u>Total Payments</u> (Thousands)
1967	2,010	\$59,167
1968	2,003	83,744
1969	4,013	79,529
1970	3,893	77,372
1971	3,851	75,735
1972	3,327	66,783
1973	2,786	51,456
1974	2,625	47,143
1975 est.	2,375	43,801
1976 est.	2,290	42,000
1977 est.	1,195	<u>21,000</u>
Total		<u><u>647,730</u></u>

CROPLAND ADJUSTMENT PROGRAM, PAYMENTS TO PRODUCERS AND ACRES UNDER AGREEMENT FY 1967-76

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*Estimated

(d) Dairy and Beekeeper Indemnity Programs

Appropriation Act, 1975	\$1,850,000
Budget Estimate, 1976	<u>3,350,000</u>
Increase in Appropriation	+1,500,000

* SUMMARY OF INCREASES AND DECREASES

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976 Estimate</u>
Indemnity payments to dairy farmers	\$250,000	-\$50,000	\$200,000
Indemnity payments to manufacturers of dairy products	100,000	+50,000	150,000
Indemnity payments to beekeepers	<u>1,500,000</u>	<u>+1,500,000</u>	<u>3,000,000</u>
Total available	<u>1,850,000</u>	<u>+1,500,000</u>	<u>3,350,000</u>

PROJECT STATEMENT

(On basis of appropriation)

Project	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
1. Indemnity payments to dairy farmers	- -	\$250,000	-\$50,000	\$200,000
2. Indemnity payments to manu- facturers of dairy prod- ucts	- -	100,000	+50,000	150,000
3. Indemnity payments to bee- keepers	- -	1,500,000	+1,500,000	3,000,000
Total, appropriation	- -	1,850,000	+1,500,000 (1)	3,350,000

PROJECT STATEMENT

(On basis of available funds)

Project	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
1. Indemnity payments to dairy farmers	\$144,477	\$250,000	-\$50,000	\$200,000
2. Indemnity payments to manu- facturers of dairy prod- ucts	31,261	100,000	+50,000	150,000
3. Indemnity payments to bee- keepers	3,015,351	1,767,656	+1,232,344	3,000,000
Unobligated balance available start of year	-3,458,745	-267,656	+267,656	- -
Unobligated balance available end of year	267,656	- -	- -	- -
Total appropriation or estimate	- -	1,850,000	+1,500,000	3,350,000

EXPLANATION OF PROGRAM

The appropriation "Dairy and Beekeeper Indemnity Programs" of the Agricultural Stabilization and Conservation Service funds indemnity payments to farmers, manufacturers of dairy products, and beekeepers. Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered

and approved for use by the Federal Government at the time of such use. Original authority granted under this Section terminated January 31, 1965, but the termination date has been extended seven times. The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved for use by the Federal Government. The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. That Act also authorized indemnity payments on dairy cows producing milk contaminated with pesticide residues.

The Agricultural Act of 1970 also authorized payments to beekeepers who through no fault of their own suffered losses of honeybees after January 1, 1967, as a result of the utilization of economic poisons near or adjacent to the property on which the beehives of such beekeepers were located. The authority was extended to December 31, 1977, by the Agriculture and Consumer Protection Act of 1973.

INCREASES AND DECREASES

(1) An increase of \$1,500,000 consisting of:

Indemnity payments to dairy farmers	-\$50,000
Indemnity payments to manufacturers of dairy products	+50,000
Indemnity payments to beekeepers	+1,500,000

Need for Increase:

Dairy and dairy products. Improved analytical methods for detecting trace amounts of insecticides in milk and milk products have resulted in increased incidents in the banning of milk and milk products from the market. Also, there appears to be closer surveillance of the milk supply for pesticide residues in some States. However, recent action by the Environmental Protection Agency to discontinue certain uses of aldrin and dieldrin should tend to reduce the incidents of pesticide contamination in milk.

Dairy Cows. In some instances it may be more economical to make indemnity payments on dairy cows which are producing contaminated milk than it is to continue making indemnity payments on the milk produced by such cows. The determination as to whether payments should be made on the milk or the dairy cows will be based on the level of pesticide residue in the milk produced and the likelihood of whether such residue can be eliminated and the milk from such animal be reinstated to the market. It is not anticipated that meat from such animals can be used for human or pet food. Therefore, it will likely be necessary to destroy any such animals and any salvage value received will be very slight.

Bees. Large scale killing of bees and other pollinators has resulted from the widespread spraying of insecticides for the control of destructive insects. Many of our fruit, nut, vegetable, and seed crops require pollination by insects. Since the honeybee is the only insect over which we have any measurable control, the production of such crops is dependent upon the availability of honeybees as pollinators. The increase of \$1,500,000 is necessary to meet an expected increase in number of indemnity payments. The increase is also needed to cover the increased payment rates which have been in effect since July 1, 1974.

In recognition of the need for maintaining strong dairy and beekeeping industries the Congress has provided authority for the indemnification of dairy farmers, manufacturers of dairy products, and beekeepers to offset their financial losses as a result of circumstances beyond their control.

Rates of Payment per Colony or Queen Nuclei

Extent of Loss	For Losses Sustained		Rates for Losses Which Occurred Since 1/1/74
	Before June 10, 1972	June 10, 1972 until 12/31/73	
Colony destroyed	\$20.00	\$15.00	\$22.50
Colony severely damaged	15.00	10.00	15.00
Colony moderately damaged	5.00	5.00	7.50
Queen Nucleus destroyed	7.50	5.00	7.50
Queen Nucleus severely damaged	5.00	No payment	No payment

TRANSITION BUDGET

Dairy and Beekeeper Indemnity Programs

Transition Budget Estimate \$1,000,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested exceed one-fourth of the budget estimate for FY 1976 by \$162,000. The request for funds in excess of one-fourth of the budget estimate was based on the fact that beekeepers start filing their claims after the use of pesticides during the summer is over, and funds should be available for obligation when such claims are filed.

STATUS OF PROGRAM

Objective. To indemnify (a) dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because such milk or milk products contained certain chemical residues, (b) dairy farmers for cows producing milk contaminated with certain chemical residues, and (c) beekeepers who through no fault of their own have suffered losses of honeybees as a result of the utilization of economic poisons near or adjacent to the property on which beehives were located. The authority for payments under these objectives was extended, most recently, by the Agriculture and Consumer Protection Act of 1973.

Program Results.

Dairy Farmers. Approved claims to dairy farmers during the original period of this program (January 1, 1964, through June 30, 1965) totaled \$349,933. During the period fiscal year 1966 through 1974, approved claims totaled about \$1.5 million. During fiscal year 1974, about \$144 thousand was approved for payment to twenty farmers in seven States.

Dairy Manufacturers. The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, three manufacturers have been indemnified because their products were removed from the market. Payments to those three manufacturers have totaled \$140,438.

Beekeepers. The beekeeper indemnity payment program regulations and procedures were issued to the county offices in July 1971. As of December 31, 1974, \$14.1 million had been paid to beekeepers in 48 States. Included in this amount is approximately \$6.7 million for losses occurring during 1967 through 1970 prior to the enactment of the legislation. Losses during the calendar year 1972 totaled approximately \$2 million. Payments for losses during calendar year 1973 so far have totaled \$1.7 million. As of December 31, 1974, over \$700 thousand had been paid beekeepers on 1974 losses.

Current Outlook.

Dairy Farmers and Manufacturers. Although we have no way to accurately estimate participation in the program, indications are that, due to improved methods for detecting traces of insecticides, an increase in the number of claims may result. It is estimated that about \$350,000 will be required in fiscal year 1975 and the same amount in fiscal year 1976.

Beekeepers. Beekeepers have until April 1975 to file their claims for losses occurring during 1974. Claims received through December 31, 1974, totaled about \$1.7 million for 1973 and about \$700 thousand for 1974 losses. It is expected that the majority of the claims for 1974 will be filed during the period January 1 through March 31, 1975. It is estimated that payments for losses occurring during 1973 CY will reach about \$2.2 million and that losses during 1974 CY will reach about \$2.5 million. It is estimated that \$3.0 million will be required in FY 1976 to make payments on losses occurring during CY 1973-75.

The following tables and chart show (a) indemnity payments made during fiscal year 1974, (b) appropriation history from fiscal year 1965 to fiscal year 1976, and (c) number of payees and payments, calendar years 1971-74.

Dairy and Beekeeper Indemnity Programs

Payments - Fiscal Year 1974

<u>State</u>	<u>Dairy Farmers</u>	<u>Dairy Manu- facturers</u>	<u>Beekeepers</u>	<u>Totals</u>
Alabama	- -	- -	\$76,270	\$76,270
Arizona	- -	- -	842,874	842,874
Arkansas	- -	- -	150,205	150,205
California	- -	- -	1,144,016	1,144,016
Colorado	- -	- -	11,055	11,055
Connecticut	- -	- -	605	605
Delaware	- -	- -	25	25
Florida	- -	- -	4,220	4,220
Georgia	- -	- -	138,677	138,677
Idaho	\$18,675	- -	194,171	212,846
Illinois	- -	- -	2,465	2,465
Indiana	40,223	- -	- -	40,223
Iowa	29,740	- -	231	29,971
Kansas	- -	- -	8,222	8,222
Kentucky	- -	- -	120	120
Louisiana	- -	- -	106,160	106,160
Maine	- -	- -	535	535
Maryland	- -	- -	585	585
Massachusetts	- -	- -	26,035	26,035
Michigan	10,955	- -	13,664	24,619
Minnesota	- -	- -	12,885	12,885
Mississippi	- -	- -	68,335	68,335
Montana	- -	- -	6,348	6,348
Nebraska	3,114	- -	71,906	75,020
Nevada	- -	- -	18,095	18,095
New Hampshire	- -	- -	895	895
New Jersey	- -	- -	945	945
New Mexico	- -	- -	10,160	10,160
New York	- -	- -	2,186	2,186
North Carolina	- -	- -	4,445	4,445
Ohio	34,075	- -	- -	34,075
Oklahoma	- -	- -	8,270	8,270
Oregon	- -	- -	136,835	136,835
Pennsylvania	- -	- -	4,910	4,910
Rhode Island	- -	- -	175	175
South Carolina	- -	- -	3,135	3,135
South Dakota	- -	- -	2,805	2,805
Tennessee	- -	- -	785	785
Texas	- -	- -	66,790	66,790
Utah	- -	- -	16,278	16,278
Virginia	- -	- -	3,130	3,130
Washington	- -	- -	528,867	528,867
West Virginia	- -	- -	925	925
Wisconsin	7,695	\$31,261	15,241	54,197
Wyoming	- -	- -	23,650	23,650
Puerto Rico	- -	- -	9,130	9,130
Total	144,477	31,261	3,737,261	3,912,999

Appropriation History:

Fiscal Year	Amount	Payments			
		Dairy Farmers	Manuf. of Dairy Prod.	Beekeepers	Total
1965	\$8,800,000 <u>1/</u>	\$349,933	-	-	\$349,933
1966	300,000	150,611	-	-	150,611
1967	400,000	279,533	-	-	279,533
1968	300,000	194,727	-	-	194,727
1969	300,000	104,416	-	-	104,416
1970	200,000	184,410	-	-	184,410
1971	4,050,000	71,474	-	-	71,474
1972	7,500,000	46,082	15,500	2,911,828	2,973,410
1973	3,500,000	36,553	94,666	6,630,954	6,762,173
1974	-	144,477	31,261	3,737,261	3,912,999
1975 (Est.)	1,850,000	250,000	100,000	2,370,000	2,720,000
1976 (Est.)	3,350,000	200,000	150,000	3,000,000	3,350,000
Total	XXXXX	2,012,216	391,427	18,650,043	21,053,686

1/ Includes \$7,800,000 returned to Office of Economic Opportunity, which initially financed this program pending direct appropriations to USDA.

DAIRY AND BEEKEEPER INDEMNITY PROGRAMS

Payments and No. Payees - CY 1971-73 (Actual) and CY 1974 (Estimate)



Payees represent number of dairy farmers or beekeepers who filed claims for losses during that calendar year and does not necessarily mean that they were paid during that calendar year. Generally, beekeepers are paid in the calendar year following the year in which loss occurred.

Agricultural Conservation Program

	On Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1975	\$285,500,000	\$190,000,000 <u>a/</u>
Budget Estimate, 1976	33,750,000	- -
Decrease	<u>-251,750,000</u>	<u>-190,000,000</u>

a/ There is pending a proposed rescission which would change the authorization for the 1975 program as follows.

Appropriation Act 1975	190,000,000
Proposed rescission	<u>-156,250,000</u>
To fund long term commitment made on 1974 program	33,750,000

Note: The Agricultural Conservation Program is operated on a program or crop-year basis with an obligating period of 18 months and actual payments made for 12 months. The FY 1976 appropriation request of \$33,750,000 is for funding the remaining increments of the 1974 long-term agreements. The 1974 long-term agreements of \$33,750,000 are applied against the 1975 contract authorization of \$190,000,000. The remaining balance of \$156,250,000 is a proposal for rescission.

PROJECT STATEMENT

(on basis of appropriation to liquidate prior authority)

	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
Cost-sharing assistance to farmers.....	\$5,114,817	<u>1/</u> \$300,500,000	-\$266,750,000	\$33,750,000
Adjustments:				
Difference in amount available for purchase of conservation materials and services from subsequent fiscal years appropriation for current program and amount available for such purposes from current year	+34,885,183	-39,000,000	+38,000,000	-1,000,000
Transfer from EPA.....	+15,000,000	- -	- -	- -
Received by loan from CCC.....	-25,000,000	-1,000,000	+1,000,000	- -
Payments of C loan.....	- -	+25,000,000	-24,000,000	+1,000,000
Total available or estimate	30,000,000	285,500,000	-251,750,000	33,750,000

1/ 1973 program of \$210,500,000 and 1974 program of \$90,000,000.

EXPLANATION OF PROGRAM

The Agricultural Conservation Program is authorized in sections 7 to 15, 16(a) and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended, and supplemented (16 U.S.C. 590g-590o, 590p (a), and 590q), and sections 1001-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1508, and 1510). Funds for the program are authorized annually by the Congress.

Funds are allocated to State Agricultural Stabilization and Conservation (ASC) Committees on the basis of their respective conservation needs as determined by the Secretary of Agriculture. The State ASC Committees, in turn, allocate the funds to the county committees.

Using guidelines approved by the National Development Group, the State program is developed jointly by ASC Committees, the Soil Conservation Service, and the Forest Service with the counsel of the Governor of the State, the president of the land-grant college, the State director of the Farmers Home Administration, and the heads of the State soil conservation organizations, and the State agricultural extension service. Through ACP, the Federal Government shares with farmers the cost (usually 50-50 basis) of carrying out needed conservation protection measures on their farms. Practices emphasized are those which help to provide long-range preservation of the environment and return greater benefits to the public. The program provides a basis for obtaining increased performance of soil and water conserving practices which contribute to the preservation and enhancement of the environment.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil-and-water conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

JUSTIFICATION OF DECREASE IN APPROPRIATION TO LIQUIDATE PRIOR AUTHORITY

(1) A decrease of \$251,750,000 for cost-sharing assistance to farmers in fiscal year 1976. A Rescission Proposal has been submitted to the Congress in the amount of \$156,300,000 which would eliminate contract authority for a new 1975 program. The Rescission Proposal concerns the contract authorization as appropriated in the Appropriations Act of 1975. The balance of 1975 contract authority (\$33,750,000) would provide authority to obligate funds for the remaining cost of the long term agreements entered into in the 1974 program. The 1976 appropriation would provide the cash to complete the payments on these long term agreements over the life of the agreements. The value of preserving our soil and water resources has been proven to farmers through the years since 1936. Now, with average farm income at high levels relative to the past and with the necessity for more prudent use of taxpayer dollars, farmers are in a better position to meet the cost of resource conservation from their own income and should be expected to do so.

STATUS OF PROGRAM

Program Purposes. The general policy and the purposes of the Agricultural Conservation Program are stated in sections 7-15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Natural resources conservation and enhancement, with assurance of sufficient stable supplies of foods and fibers, are primary among these stated purposes.

Program Accomplishments. To accomplish the program's purposes cost-sharing assistance is authorized in the 50 States, Puerto Rico, and the Virgin Islands. About three-fourths of a million farmers, ranchers, and woodland owners a year (more than two million different ones in 5 years) have cooperated in recent years by performing approved soil, water, woodland, and wildlife conservation practices and water, air, and land pollution prevention and abatement practices to advance their individual conservation farm plans or, in concert, their community conservation, protection, and development plans.

The following accomplishments under the 1972 program illustrate the manner in which resources have been applied recently to further the goals for which the program funds were approved.

On the 41 million practice acres (to which these measures were applied or which they directly served) on participating farms in 1972, 96 percent of the funds went for enduring practices, as compared with 95 percent for 1971 and 92 percent for 1970 and only 72 percent in 1969.

The extent to which the following practices were performed in 1972 (latest year for which data are available) and in the period 1936-1972 are shown below:

Practice	Unit	Extent under 1972 program	Total accomplishments 1936-1972
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses	1,000 structures	48	2,249
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	915	33,316
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 acres	178	114,229
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control and to conserve water	1,000 acres	563	63,260
Trees and shrubs planted for forestry purposes, erosion control, or environmental enhancement	1,000 acres	227	5,485
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 acres	206	4,564

Practice	Unit	Extent under 1972 program	Total accomplishments 1936-1972
Wildlife conservation	1,000 acres served	907	13,592 <u>1/</u>
Animal waste and soil waste pollution-abatement structures (lagoons, storage, diversion, and other)	Number	5,225	10,803 <u>2/</u>
Sediment pollution-abatement structures or runoff control measures	1,000 acres served	2,573	2,961 <u>2/</u>
Other pollution-abatement practices	1,000 acres served	230	267 <u>2/</u>

1/ 1962-1972, inclusive, with certain data estimated.

2/ 1970, 1971 and 1972 only.

The Program for 1973. In the 1973 program county and State committees and participating agencies reviewed the program to update and strengthen it further for dealing with recognized environmental and community problems. As a result of this 1973 field and national review, some practices serving comparable purposes were combined into 28 practices. State and county practices could be chosen from these. There could be included in a county program (1) on the basis of special justification and approval, any other conservation practice consistent with the goal and objectives of the program which were needed to meet particular conservation problems that existed on a substantial number of farms in the county, and (2) on county committee request, any practice not otherwise available which was used in the county in the 1970 program.

As of December 22, 1972, additional commitments to farmers and ranchers under this program were discontinued for the 1973 program. The program was reactivated per court order (Civil Action No. 155-73) dated December 28, 1973.

The Program for 1974. The 1974 program has continued the reduction or combination of the number of practices available for cost-sharing assistance. This should strengthen the remaining practices as they all serve high priority and recognized environmental problems. Annual cost-sharing agreements are used as well as the Title X authority in the Agriculture and Consumer Protection Act of 1973 and the Soil Conservation and Domestic Allotment Act, as amended, which authorized the Secretary to enter into long term cost-share agreements with landowners to establish conservation practices. Forestry incentive practices authorized by Title X have also been emphasized in designated States and counties. These various facets of the program help landowners establish permanent type conservation practices while farmers are being called on for all-out production to meet consumer needs.

The chart on the following page shows for program years 1965-1972 the total number of U.S. farms, number of participating farms, dollar outlays, and average payment per farm.

AGRICULTURAL CONSERVATION PROGRAMS (REAP)

Total Number of U.S. Farms - Number of Participating Farms, Dollar Outlays,
and Average Payment Per Farm Program Years 1965-1972



(f) Water Bank Act Program

Appropriation Act, 1975	\$10,000,000
Budget Estimate, 1976	- -
Decrease in Appropriation	<u>-10,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976</u>
Annual payments to landowners and operators and technical assistance (allocation to SCS)	- -	- -	- -
Proposed rescission	\$10,000,000	-10,000,000	- -
Total available	<u>10,000,000</u>	<u>-10,000,000</u>	<u>- -</u>

PROJECT STATEMENT
(On the basis of appropriation)

Project	1974	1975 (Estimated)	Decrease	1976 (Estimated)
Annual payments to owners and operators	\$9,000,000	\$ - -	- -	- -
Technical assistance (al- location to SCS)	1,000,000	---	- -	- -
Proposed rescission	- -	10,000,000	-10,000,000	- -
Total appropriation or estimate	10,000,000	^{a/} 10,000,000	-10,000,000 (1)	- -

^{a/} Included in Rescission Proposal No. R75-8A.

PROJECT STATEMENT
(On the basis of available funds)

Project	1974	1975 (Estimated)	Increases or Decreases	1976 (Estimated)
Annual payments to landowners and operators	\$3,772,680	\$4,405,200	-\$4,405,200	- -
Technical assistance (alloca- tion to SCS)	337,959	670,000	-394,428	\$275,572
Receipts and reimbursements..	-2,643	-10,000	- -	-10,000
Balance brought forward from prior years	-11,651,708	-17,543,712	+16,278,140	-1,265,572
Proposed rescission	- -	^{a/} 21,212,940	-21,212,940	- -
Balance carried forward to next year	17,543,712	1,265,572	-265,572	1,000,000
Total, appropriation or estimate	10,000,000	10,000,000	-10,000,000	- -

^{a/} A request has been submitted to the Congress to rescind \$21,212,940,
Rescission Proposal No. R 75-8A (\$21,212,940).

EXPLANATION OF PROGRAM

The appropriation "Water Bank Act Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970. Its purpose is to conserve water, preserve and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting and breeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for ten years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas for agricultural purposes, as determined by the Secretary. The Secretary makes annual payments to the owner or operator at a rate to be determined.

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to assure proper coordination.

DECREASES

- (1) A decrease of \$10,000,000 for annual payments to owners and operators and technical assistance since no program is proposed for 1976.

The objectives of this program duplicate those of similar waterfowl habitat protection programs in the Department of the Interior. Therefore, Rescission Proposals No. R 75-8 and R 75-8A have been submitted to the Congress in the amount of \$21,212,940 to eliminate this fund. Of that amount, \$10,000,000 is the FY 1975 appropriations and \$11,212,940 is unobligated balances. The Department proposes no new program for 1975. Payments under agreements for the 1972 and 1974 programs will continue to be made for the term of the agreements.

STATUS OF PROGRAM

Current Activities:

The Water Bank Program is carried out to meet the following objectives:

- preserve and improve habitat for important migratory waterfowl nesting and breeding areas and other wildlife resources.
- preserve, and improve the wetlands of the Nation, and to conserve surface waters.
- reduce runoff, soil and water erosion, and contribute to flood control.
- contribute to improved water quality and reduce stream sedimentation.
- contribute to improved subsurface moisture.
- enhance the natural beauty of the landscape.
- promote comprehensive and total water management planning.

Program Provisions:

Under the Water Bank Program, eligible persons in selected areas having eligible wetlands in important migratory waterfowl nesting and breeding areas could enter into 10-year agreements, with provisions for renewal, and receive annual payments for the conservation of water and to meet other purposes of the Act.

Participation:

1972 Program

Sign-up period: May 22 through June 9, 1972.

The actual participation in the 1972 program is shown in the table which follows:

State	Number of Counties	Number of Agreements	Designated Acres	Annual payment for designated acreage
California	2	14	3,414	\$26,176
Louisiana	1	9	842	4,207
Maine	1	25	1,924	9,799
Minnesota	10	320	12,779	121,043
Mississippi	1	22	3,578	17,892
Montana	6	44	4,671	44,143
Nebraska	2	12	500	7,278
North Dakota	15	275	25,096	219,188
Oregon	1	2	1,020	9,142
South Dakota	12	199	16,407	138,943
Vermont	1	24	1,710	10,867
Washington	1	12	971	9,775
Wisconsin	3	145	7,618	64,953
Total	56	1,103	80,530	683,406

No agreements were entered into for a 1973 program.

1974 Program

Sign-up period: February 4 through 15, 1974.

The actual participation (as of 10/31/74) in the 1974 program is shown in the table which follows:

State	Number of Counties	Number of Agreements	Designated Acres	Annual payment for designated acreage
Arkansas	1	22	3,348	\$16,695
California	2	8	3,926	37,995
Louisiana	1	4	505	2,676
Maine	1	--	--	--
Michigan	1	17	544	5,959
Minnesota	10	354	15,719	176,610
Mississippi	1	8	4,036	20,178
Montana	6	25	1,888	17,823
Nebraska	2	7	329	3,902
North Dakota	17	272	26,557	210,046
Oregon	1	--	--	--
South Dakota	14	191	16,704	166,248
Vermont	1	19	1,333	12,472
Washington	1	4	412	6,188
Wisconsin	3	64	3,007	27,863
Total	62	995	78,308	704,655

(g) Emergency Conservation Measures

Appropriation Act, 1975	\$10,000,000
Budget Estimate, 1976	<u>10,000,000</u>
Increase in Appropriation	- -

SUMMARY OF INCREASES AND DECREASES

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976</u>
Emergency cost-sharing assistance to farmers	\$10,000,000	- -	\$10,000,000
Total available	<u>10,000,000</u>	<u>- -</u>	<u>10,000,000</u>

PROJECT STATEMENT

(On the basis of appropriation)

Project	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
Emergency cost-sharing assist- ance to farmers	\$10,000,000	\$10,000,000	- -	\$10,000,000
Total, appropriation or esti- mate	10,000,000	10,000,000	- -	10,000,000

PROJECT STATEMENT

(On the basis of available funds)

Project	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
Emergency cost-sharing assist- ance to farmers	\$10,743,274	\$18,000,000	+\$3,687,589	\$21,687,589
Balance brought forward from prior years	-20,430,863	-19,687,589	+8,000,000	-11,687,589
Balance carried forward to next year	19,687,589	11,687,589	-11,687,589	- -
Total, appropriation	10,000,000	10,000,000	- -	10,000,000

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Measures" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Third Supplemental Appropriation Act of 1957. Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

The proposed appropriation of \$10,000,000, together with estimated unobligated balances carried forward from 1975, would provide \$21,687,589 in 1976. This amount is requested to finance corrective action on previous disasters and to provide the minimum assurance of fund availability for prompt emergency cost-sharing assistance following any new disaster.

Examples of practices for which cost-sharing assistance is provided under the emergency conservation measures program include:

Flood

- Removal of flood-deposited debris from farmlands
- Smoothing gullies and field washouts
- Restoration of pond levees, sod waterways, drainage ditches, and irrigation systems
- Stabilizing stream banks
- Releveling or reshaping land damaged by flood waters, which before the flood, had been leveled or shaped, for more efficient use of irrigation water and to prevent erosion
- Establishing protective vegetative cover on seriously eroded areas

Drought

- Development of wells, springs, and ponds for livestock water
- Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation
- Restoration of permanent vegetative cover destroyed or seriously damaged on areas which would be subject to serious erosion unless vegetative cover is reestablished
- Tillage operations to prevent or control wind erosion

Windstorm

- Removal of debris from cropland or pastures, orchards, farm woodland, stream channels, waterways, and ditches

Earthquake

- Removal of debris deposited by seismic waves caused by earthquake
- Land smoothing and reestablishment of vegetative cover on cropland damaged by fissures resulting from the earthquake
- Reestablishment of vegetative cover damaged by scour or deposits of sedimentation by seismic waves
- Reconstruction of permanent fences destroyed or impaired by seismic waves

Fire

- Reseeding burned over range land
- Planting trees on burned over woodland
- Repairing range fences
- Removing debris from stream channels

TRANSITION BUDGET

EMERGENCY CONSERVATION MEASURES

Transition Budget Estimate \$2,500,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the budget estimate for FY 1976.

STATUS OF PROGRAM

The Emergency Conservation Measures program was first authorized in the Third Supplemental Appropriation Act, 1957, (Public Law 85-58). Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Appropriations and outlays for this program follow:

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Outlays</u>
1957	\$4,000,000	\$930,800
1958	20,000,000	1,974,898
1959	- -	3,211,377
1960	- -	896,656
1961	- -	549,201
1962	5,000,000	8,796,544
1963	- -	2,701,428
1964	4,000,000	3,392,835
1965	14,000,000	10,007,537
1966	24,000,000	13,189,570
1967	5,000,000	5,701,969
1968	5,000,000	5,403,016
1969	5,000,000	7,143,935
1970	5,000,000	8,303,981
1971	5,000,000	12,364,588
1972	12,000,000	7,407,073
1973	25,000,000	9,227,765
1974	10,000,000	18,195,465
1975	<u>10,000,000</u>	<u>12,000,000 (est.)</u>
	153,000,000	131,398,638

Since July 1, 1974, about \$4.5 million has been allocated to partially cover restoration measures to be carried out in States affected by floods and tornadoes which occurred since the spring of 1974.

The chart which follows shows participation in the 1965 through 1972 programs.

**EMERGENCY CONSERVATION MEASURES (ECM)
COST SHARES AND PARTICIPATING FARMS
BY PROGRAM YEAR 1965-1972**

	PROGRAM YEAR - From July 1 to December 31 of the next succeeding fiscal year.									
	1965	1966	1967	1968	1969	1970	1971	1972		
COST- SHARES	\$13,910,566	6,544,066	4,072,711	8,827,952	6,794,003	8,198,672	14,733,756	3,936,791		
PARTICIPA- TING FARMS	34,580	16,959	12,279	22,749	12,102	13,810	38,485	8,958		

Following are allocations by States for cost-sharing assistance for the 1973, 1974, and 1975 programs (as of December 31, 1974).

	Program Year			Type(s) of Disasters
	1973	1974	1975	
Alabama	\$915,800	\$170,000	- -	Flood, tornado
Arizona	845,000	- -	- -	Flood
Arkansas	28,533	- -	\$50,000	Flood, tornado
California	189,000	628,000	- -	Flood
Colorado	950,000	- -	- -	Flood
Florida	266,401	- -	- -	Flood
Georgia	914,447	148,553	- -	Flood, tornado
Idaho	10,998	129,040	- -	Flood
Illinois	692,000	7,200	350,000	Flood
Indiana	- -	925,755	25,000	Flood, tornado
Iowa	1,263,016	37,500	- -	Flood, tornado
Kansas	- -	905,000	- -	Flood
Kentucky	173,000	1,500,000	- -	Flood, tornado
Louisiana	200,000	- -	- -	Flood
Maine	146,000	- -	65,000	Flood
Maryland	377,340	- -	- -	Flood
Massachusetts	- -	33,000	- -	Flood, tornado
Michigan	125,814	- -	- -	Flood, tornado
Mississippi	698,160	75,000	- -	Flood, tornado
Missouri	1,197,500	2,705,000	- -	Flood, tornado
Montana	70,912	- -	- -	Flood
Nebraska	- -	40,000	- -	Flood
New Hampshire	- -	120,000	- -	Flood
New Mexico	575,000	76,600	- -	Flood
New York	5,245,000	285,000	- -	Flood
North Carolina	860,000	- -	- -	Flood
Ohio	197,233	150,000	50,000	Flood, tornado
Oklahoma	30,362	650,000	- -	Flood
Oregon	- -	1,165,000	- -	Flood
Pennsylvania	3,360,000	- -	- -	Flood
South Dakota	12,000	- -	- -	Flood
Tennessee	1,601,000	325,000	- -	Flood, tornado
Texas	- -	375,000	450,000	Flood
Utah	28,971	- -	- -	Flood
Vermont	1,175,000	- -	- -	Flood
Virginia	2,947,780	- -	- -	Flood
Washington	1,177,293	300,000	- -	Flood
West Virginia	235,000	- -	- -	Flood
Wisconsin	308,000	- -	- -	Flood
Wyoming	55,000	- -	- -	Flood
Totals	26,871,560	10,750,648	990,000	

(h) Forestry Incentives Program

Appropriation Act, 1975	\$25,000,000
Budget Estimate, 1976	- -
Decrease in Appropriation	-25,000,000

SUMMARY OF INCREASES AND DECREASES
(on basis of Appropriation)

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976 Estimate</u>
Cost-share payments to producers	- -	- -	- -
Proposed rescission	\$25,000,000	-\$25,000,000	- -
Total available	<u>25,000,000</u>	<u>-25,000,000</u>	<u>- -</u>

PROJECT STATEMENT
(on basis of Appropriation)

	<u>1974</u>	<u>1975 (estimated)</u>	<u>Increase or Decrease</u>	<u>1976 (estimated)</u>
Cost-share payments to producers	- -	- -	- -	- -
Proposed rescission	- -	\$25,000,000 <u>a/</u>	-\$25,000,000 (1)	- -
Total available or estimate	- -	25,000,000	-25,000,000 (1)	- -

a/ A request has been submitted to the Congress to rescind \$25,000,000.
(Rescission Proposal No. R75-49)

EXPLANATION OF PROGRAM

The Forestry Incentives Program is authorized by Section 1009 of the Agriculture and Consumer Protection Act of 1973. Its purpose is to encourage the development, management, and protection of non-industrial private forest lands.

This program would be carried out by providing annual and long-term cost-sharing agreements with private landowners. Section 1010 of the Agricultural and Consumer Protection Act of 1973 limits appropriations for this program to \$25 million annually.

DECREASES

(1) A decrease of \$25,000,000 as no program is proposed for 1976.
Rescission Proposal No. R75-49 has been submitted to the Congress in the amount of \$25,000,000. No program is proposed for 1975 or 1976. Payments under agreements for the 1974 Incentives program will continue to be made for the term of the agreements under the Agricultural Conservation Program account from which it was initially funded.

(i) Conservation Reserve Program

Carryover funds from prior year appropriations were sufficient to meet contractual commitments until the end of the program (December 31, 1972).

Final payments under this program except for pending court claims, were made in the fiscal year 1973.

The following table summarizes the current status of funds.

Item	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
Obligated balance start of year ...	\$111,193	\$129,570	-\$129,570	- -
Recovery of prior year obligations	18,377	- -	- -	- -
Annual rental payments	- -	-32,000	+32,000	- -
Unobligated balance, lapsing	- -	-97,570	+97,570	- -
Obligated balance, end of year	129,570	- -	- -	- -

EXPLANATION OF PROGRAM

This program was authorized under the Soil Bank Act of 1956. The program was initiated in 1956, and had two objectives. One was to bring total crop acreage more nearly in line with demand by withdrawing cropland from production. The other was to establish and maintain sound conservation practices on the land withdrawn. The Secretary was authorized, through calendar year 1960, to enter into 3 to 10 year contracts with producers for removing designated cropland from production and for establishing conservation practices. Total annual rental payments to a producer were limited to \$5 thousand.

Final payments under this program except for pending court claims, were made in the fiscal year 1973.

STATUS OF PROGRAM

The Conservation Reserve Program was enacted to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program. Under it the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover.

Rental payments have been completed except for a number of claims pending in court. Over 28 million acres were taken out of production under this program.

Payments to Farmers for Acreage Taken out of Production Under the Conservation Reserve Program

<u>Program Year</u>	<u>Acres Diverted (millions)</u>	<u>Payments (\$1,000)</u>
1956	1.4	18,547
1957	6.4	94,925
1958	9.9	141,889
1959	22.5	306,136
1960	28.7	350,539
1961	28.5	332,684
1962	25.8	305,959
1963	24.3	289,948
1964	17.4	193,712
1965	14.0	150,981
1966	13.3	140,735
1967	11.0	121,802
1968	9.2	106,733
1969	3.4	38,620
1970	.1	891
1971	<u>1/</u>	80
1972	<u>1/</u>	-53
1973	-0-	-18
1974	- -	32
Total		<u>2,594,142</u>

1/ Less than 50 thousand.

(j) Cropland Conversion Program

No new agreements have been made since 1967. Future payments under prior year agreements, for which funds are available, will continue to be made until they expire in fiscal year 1976.

The following table summarizes the appropriation, balance carried forward and payments, 1974 through 1976.

Item	1974 Actual	1975 Estimated	Increase or Decrease	1976 Estimated
Obligated balance start of year ..	\$610,871	\$515,413	-\$107,000	\$408,413
Annual rental payments	-95,458	-107,000	- -	-107,000
Obligated balance end of year	515,413	408,413	-107,000	301,413

EXPLANATION OF PROGRAM

This program was authorized in the Food and Agriculture Act of 1962, as an amendment Section 16(e), of the Soil Conservation and Domestic Allotment Act. Long-range agreements not to exceed 10 years were approved with farmers and ranchers from 1963 to 1967 to make changes from their past cropping systems and land uses to other income-producing, public benefit uses. The agreements provided for payments, the furnishing of material and services, and other assistance to farmers. In return, farmers changed the land-use and installed and maintained conservation practices. Adjustment payments were authorized to be made either upon approval of the agreement or on an annual installment basis. Land treatment practice payments were made after the practice was installed.

STATUS OF PROGRAM

The program was offered to farmers during the years 1963 through 1967 under the authority of Section 101 of the Food and Agriculture Act of 1962. The legislation authorized the Secretary to enter into agreements with farmers and ranchers, not to exceed 10 years. The land under agreements was converted to income-producing grassland, woodland, water storage, wildlife habitat, and outdoor recreational enterprises. This approach was designed to provide the best opportunity for bringing about a permanent shift of cropland to other and more needed uses.

Under the program about 10,000 agreements were entered into on 0.6 million acres in 473 counties in 42 States, and about 13 thousand acres remain under agreements in 1976.

The following table reflects acreage diverted and payments made since the inception of the program.

Acreage Diverted and Payments History

<u>Fiscal Year</u>	<u>Acres</u> (000)	<u>Payments</u> (000)
1963	130	\$3,982
1964	125	7,097
1965	445	9,667
1966	449	1,921
1967	584	1,655
1968	481	3,127
1969	481	2,952
1970	46	2,276
1971	40	164
1972	13	108
1973	13	107
1974	13	95
1975 (Est.)	13	107
1976 (Est.)	<u>13</u>	<u>107</u>
Total	<u>XXX</u>	<u>33,365</u>

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this Act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Major Activities

The Federal Crop Insurance program comprises the following activities:

(1) Underwriting, actuarial, and program development, involving the establishment and maintenance of rates and coverages for crops in each county; (2) Marketing and Collections, covering all aspects of sales, including the development of sales policies and the marketing program, and the collection of premiums; and (3) Contract Servicing and Claims, which has to do with crop inspections and loss adjustments.

Insurance Coverage

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not insure profit for the farmer nor cover avoidable losses resulting from negligence or failure to observe good farming practices.

The 1975 crop insurance programs will operate in 1,469 counties, furnishing insurance coverage of approximately \$1,163,000,000 on apples, barley, beans, citrus, combined crop, corn, cotton, flax, grain sorghum, grapes, oats, peaches, peanuts, peas, raisins, rice, soybeans, sugar beets, sugarcane, tobacco, tomatoes and wheat. It is estimated that 327,000 crops will be insured for the 1975 crop year, as compared with 303,540 for the 1974 crop year.

General Administration

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by fourteen sales and contract service centers. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time or WAE (when actually employed) basis. Detailed insurance and accounting records are maintained by the Corporate Services Office in Kansas City, Missouri. As of December 31, 1974 there were 561 permanent full-time employees, 26 full-time temporary, 90 part-time, and 1,991* intermittent employees on the rolls.

The current capital stock issue of \$60 million is composed of subscriptions issued pursuant to the Federal Crop Insurance Act, which authorizes \$100 million of capital stock to be subscribed by the United States Government.

<u>Analysis of capital:</u>	F.Y. 1974	F.Y. 1975	F.Y. 1976
Capital stock:	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Authorized.....	\$100,000,000	\$100,000,000	\$100,000,000
Unissued.....	40,000,000	40,000,000	40,000,000
Issued.....	60,000,000	60,000,000	60,000,000
Surplus (+) or deficit (-)	+3,311,335	-17,202,665	-21,932,665
Net capital at end of year.....	\$ 63,311,335	\$ 42,797,335	\$ 38,067,335

*Includes 985 unpaid intermittents on the rolls.

A summary of changes in capital for fiscal year 1974 and estimates for the fiscal years 1975 and 1976 follows:

Summary of changes in capital:

	1974 <u>Actual</u>	1975 <u>Estimate</u>	1976 <u>Estimate</u>
Net capital at beginning of year.....	\$50,996,776	\$63,311,335	\$42,797,335
Additions to capital during the year:			
Insurance premiums (net).....	47,610,356	54,000,000	56,000,000
Interest and other income.....	3,771	---	---
Prior year adjustments.....	-344,284	---	---
Reimbursements - ASCS inspection work.	---	750,000	400,000
Total capital available for insurance operations during year.....	\$98,266,619	\$118,061,335	\$99,197,335
Deductions from capital during the year:			
Insurance indemnities.....	28,361,020	64,600,000	50,400,000
Loss adjustment and inspection costs..	1,781,689	3,500,000	3,258,000
ASCS inspection work.....	---	750,000	400,000
Prior year adjustments.....	281,921	---	---
Administrative expenses charged to program operations.....	4,302,385	6,117,000	6,764,000
Estimated uncollectible premiums.....	228,269	297,000	308,000
Total deductions from capital.....	\$34,955,284	\$75,264,000	\$61,130,000
Net capital at end of year.....	<u>\$63,311,335</u>	<u>\$42,797,335</u>	<u>\$38,067,335</u>

Available Funds and Man-Years
1974 and Estimated, 1975 and 1976

Item	Actual		Estimated		Budget Estimate	
	1974		1975		1976	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Administrative and Operating Expenses:						
Appropriation.....	\$11,994,475	664	\$12,000,000	621	\$12,000,000	630
Federal Crop Insurance Corporation Fund.....	4,640,000	221	6,117,000	255	6,764,000	257
Total Appropriation Bill.....	16,634,475	885	18,117,000	876	18,764,000	887
Loss Adjustment Costs (non-administrative and operating expenses) paid from:						
Federal Crop Insurance Corporation Fund.....	1,781,689	119	3,500,000	221	3,258,000	212
Total, above items.....	18,416,164	1,004	21,617,000	1,097	22,022,000	1,099
Obligations under other						
USDA Appropriations:						
ASCS Inspection work.....	---	---	750,000	39	400,000	23
Miscellaneous reimbursements.....	10,516	1	---	---	---	---
Total, other USDA Appropriations.....	10,516	1	750,000	39	400,000	23
Total, Federal Crop Insurance Corporation ^{a/}	18,426,680	1,005	22,367,000	1,136	22,422,000	1,122

	1974	1975	1976
End-of-Year Employment:	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Permanent full-time.....	570	560	560
Other.....	723	850	850
Total.....	<u>1,293</u>	<u>1,410</u>	<u>1,410</u>

a/ Excludes corporate funds, other than those shown above for administrative and operating expenses, loss adjustment costs, and reimbursement for ASCS inspection work.

b/ Excludes \$5,525 for GSA space transfer.

c/ Includes pay increase cost of \$474,000 for 1975 which will require an increase in the amount of authorization from premium income. No supplemental appropriation is requested for additional pay costs, since such cost, if appropriated, would exceed the Corporation's annual limitation of \$12 million.

d/ Reimbursable program under 1973 Farm Act for assistance in training ASCS loss adjusters and for performance of some ASCS inspection work.

Administrative and Operating Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable from Premium Income</u>	<u>Total</u>
Appropriation Act, 1975.....	\$12,000,000	\$5,643,000	\$17,643,000
Budget Estimate, 1976.....	12,000,000	6,764,000	18,764,000
Increase in Appropriation.....	---	+1,121,000	+1,121,000
Adjustments in 1975:			
Appropriation Act, 1975.....	12,000,000	5,643,000	17,643,000
1975 Supplemental Appropriation for pay costs.....	---	+474,000	+474,000
Adjusted base for 1976.....	12,000,000	6,117,000	18,117,000
Budget estimate, 1976.....	12,000,000	6,764,000	18,764,000
Increase over adjusted 1975.....	---	+647,000	+647,000

NOTE: The Corporation's 1976 budget estimate includes \$6,764,000 for administrative and operating expenses payable from premium income and \$12,000,000 by annual appropriation. For clarity and completeness, the following project statement and justification cover the total estimated amounts required for administrative and operating expenses of the Corporation.

Summary of Increases and Decreases

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976 Estimated</u>
GSA space rental costs.....	\$ 516,000	\$ +82,000	\$ 598,000
Proposed Promotion of field office personnel.....	---	+134,000	134,000
Annualization of program expansion costs, 1975.....	375,000	+125,000	500,000
Increased cost of Government contribution to employee health benefits.....	120,000	+51,000	171,000
Increased cost of penalty mail....	354,000	+39,000	393,000
Annualization of the pay cost increases effective in F.Y. 1975.....	474,000	+216,000	690,000
All Other.....	16,278,000	---	16,278,000
Total available.....	18,117,000	+647,000	18,764,000

PROJECT STATEMENT
(On basis of available funds)

Item	1974	1975 (estimated)	Increase or Decrease	1976 (estimated)
1. Underwriting, actuarial, and program development.....	\$1,986,807	\$2,402,000	(1)\$+51,000	\$2,453,000
2. Marketing and collections.....	8,725,667	8,915,000	(2)+301,000	9,216,000
3. Contract servicing and claims..	<u>5,584,386</u>	<u>6,800,000</u>	<u>(3)+295,000</u>	<u>7,095,000</u>
Subtotal.....	16,296,860	18,117,000	+647,000	18,764,000
Deduct: Total obligations pay- able from premium income.....	4,302,385	5,643,000	+1,121,000	6,764,000
Proposed Supplemental for pay increase costs.....	---	474,000	-474,000	---
Total obligations payable from premium income.....	<u>a/ 4,302,385</u>	<u>6,117,000</u>	<u>+647,000</u>	<u>6,764,000</u>
Total available or estimate.....	<u>11,994,475</u>	<u>12,000,000</u>	<u>---</u>	<u>12,000,000</u>
Transferred to GSA.....	5,525			
Total, appropriation.....	<u>12,000,000</u>			

a/ Excludes \$337,615 unobligated balance under the limitation on administrative and operating expenses payable from premium income.

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses" of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act of 1938, as amended (7 U.S.C. 1501-1520). The activities carried out are as follows:

Underwriting, actuarial, and program development - This activity covers the underwriting function which makes determinations with respect to establishment of insurance coverage and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.) in each county. In each county also insurance coverages and premium rates are broken down by areas to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county. (Crop Year 1976 - 1,469 counties).

Field underwriters review and recommend revision of local area rates and coverages each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provision and proposals. Field personnel are aided in initiating programs and supervising experimental projects.

Marketing and collections - This activity covers selling of crop insurance policies by employees working on a WAE (when actually employed) basis and local agents working under contractual agreements. These employees are supervised by a permanent staff of area sales specialists and supervisors reporting directly to a Center Director. Other functions performed under this activity are: collection work, formulating and developing sales policies and programs; directing the use of sales promotional materials; and working with private insurance groups, farm organizations, etc.

Contract Servicing and claims - This activity covers functions directly related to crop inspections and loss adjustments. Some of the functions performed are: formulating and recommending policies to management on crop losses, handling unusual and complex claims involving legal interpretation and corporate litigation, analyzing and reporting crop damage or loss, supervising loss adjusters, reviewing the effectiveness of the loss adjustment program, and developing loss adjustment instructions and procedures for determining crop-damage liability. Also, under this activity, the annual servicing of contracts is performed. This consists of: obtaining acreage reports, answering inquiries from insured farmers, processing transfers of interest, handling collateral assignments, and keeping the farmers generally informed regarding the crop insurance program.

The following table summarizes the planned level of crop insurance operations for crop year 1976, compared with 1974 and 1975:

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Insurance in force (\$1,000).....	\$1,121,202	\$1,163,000	\$1,163,000
Premiums (\$1 000).....	54,000	56,000	56,000
Indemities (\$1,000)....	64,600	50,400	50,400
Loss Ratio.	1.20	.90	.90
Counties....	1,444	1,469	1,469
Crops Insured.....	303,540	327,000	327,000
Insured Acreage (1,000).....	18,653	18,983	18,983

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$51,000 in the Federal Crop Insurance Corporation Fund for underwriting, actuarial, and program development. The increase breaks down as follows (\$2,402,000 available in 1975):

(a) An increase of \$5,000 for penalty mail rate increase, March 2, 1974.

(b) An increase of \$7,000 for health benefits cost pursuant to P.L. 93-246, approved January 31, 1974.

(c) An increase of \$10,000 for GSA space rental costs pursuant to P.L. 92-313. Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100 percent funding for the estimated billings provided by the General Services Administration.

(d) An increase of \$29,000 for annualization of pay increase cost effective in F.Y. 1975.

Need for increase:

The increases for 1976 are nondiscretionary.

Plan of work:

The underwriting, actuarial, and program development work for crop year 1976 will be performed in 1,469 counties covering approximately 3,658 county programs.

Current plans provide for reworking the actuarial structure in approximately 20 percent of the counties each year. It is estimated that the actuarial structure will be reworked in 732 crop counties in 1976. However, if insurance experience for certain areas and crops indicate that adjustments are necessary, the rates and coverages would be revised more frequently to prevent impairment of the soundness of the program.

The following table reflects the cost and man-year distribution of this activity for 1975 and 1976.

Function	1975		1976		Change 1976 over 1975	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Actuarial Analysis.....	17.0	\$ 378,000	17.0	\$ 388,000	---	\$ +10,000
2. Program Development.....	5.2	141,000	5.2	147,000	---	+6,000
3. Field Underwriting.....	78.0	1,579,000	78.0	1,606,000	---	+27,000
4. Other Related Servicing						
Cost:						
National Service						
Office.....	3.9	70,000	3.9	76,000	---	+6,000
Statistical Yield Data*..	---	234,000	---	236,000	---	+2,000
Total.....	104.1	2,402,000	104.1	2,453,000	---	+51,000

*Data will be furnished by USDA Statistical Reporting Service and Agricultural Stabilization and Conservation Service on a reimbursable basis.

(2) An increase of \$301,000 in the Federal Crop Insurance Corporation Fund for marketing and collections as follows (\$8,915,000 available in 1975):

(a) An increase of \$125,000 to annualize program expansion effective in F.Y. 1975. The Department's 1975 Budget was enacted in December 1974. Since over one-fourth of the fiscal year had passed prior to enactment, the Congress approved the request for marketing and collections, but reduced the 1975 funding by one-fourth. In F 1976 this program will require full-year funding; therefore, we are requesting this increase to annualize the level approved in 1975.

(b) An increase of \$19,000 for penalty mail rate increase, March 2, 1974.

(c) An increase of \$25,000 for health benefits cost pursuant to P.L. 93-246, approved January 31, 1974.

(d) An increase of \$39,000 for GSA space rental costs pursuant to P.L.-92-313. Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100 percent funding for the estimated billings provided by the General Services Administration.

(e) An increase of \$93,000 for annualization of pay increase cost effective in F.Y. 1975.

Need for increase:

The increase of \$125,000 is requested to provide funds for selling activities on a full-year basis, which were not available in F.Y. 1975 to cover the full expansion of the program in new and existing counties. All other increases shown above are nondiscretionary.

Plan of work:

The marketing activities will be continued in 1,469 counties in 1976 to maintain approximately the same level of business as 1975. About 65,000 new sales will be required to recover cancellations.

Function	1975		1976		Change 1976 over 1975	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Field Sales Operations.....	329.8	\$6,771,000	339.3	\$7,009,000	+9.5	+\$238,000
2. Advertising and Sales Promotion.....	---	202,000	---	202,000	---	---
3. Other Marketing and Servicing costs:						
Marketing Division and National Service Office.....	64.3	1,942,000	64.7	2,005,000	+4	+63,000
Total.....	394.1	8,915,000	404.0	9,216,000	+9.9	+301,000

(3) An increase of \$295,000 in the Federal Crop Insurance Corporation Fund for contract servicing and claims as follows (\$6,800,000 available in 1975):

- (a) An increase of \$134,000 for upgrading of county office personnel.
- (b) An increase of \$15,000 for penalty mail rate increase, March 2, 1974.
- (c) An increase of \$19,000 for health benefits cost pursuant to P.L. 93-246, approved January 31, 1974.
- (d) An increase of \$33,000 for GSA space rental costs pursuant to P.L. 92-313.
Under current procedure the Agency is required to budget for the cost of agency occupied GSA controlled space. The 1975 Appropriation Act limited the Department to paying 90 percent of the standard level user charge used in computing the 1975 request. For FY 1976 the Budget reflects 100 percent funding for the estimated billings provided by the General Services Administration.
- (e) An increase of \$94,000 for annualization of pay increase cost effective in F.Y. 1975.

Need for increase:

The proposed promotion of field office personnel results from an evaluation of these positions.

The amount of \$134,000 is based on computations derived from the number of positions being evaluated. All other increases for 1976 are nondiscretionary.

Plan of work:

Loss adjusters (WAE's) inspect insured farms when (1) the crop is damaged during the growing season; (2) the insured requests an inspection and release of acreage and (3) it appears necessary that a preliminary inspection be made to protect the interests of the Corporation and (4) final determination of insured loss is made following harvest.

The following table reflects the cost and man-year distribution of this activity for 1975 and 1976:

Function	1975		1976		Change 1976 over 1975	
	M.Y.	Cost	M.Y.	Cost	M.Y.	Cost
1. Contract Servicing Field Operation.....	280.9	\$4,236,000	281.5	\$4,463,000	+ .6	\$+227,000
2. Other related Servicing costs:						
Contract Service Div. and NSO..	97.1	2,564,000	97.8	2,632,000	+ .7	+68,000
Total.....	378.0	6,800,000	379.3	7,095,000	+1.3	+295,000

TRANSITION BUDGET

Administrative and Operating Expenses

Transition Budget Estimate..... \$4,691,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The Corporation's transition budget estimate includes \$1,691,000 for administrative and operating expenses payable from premium income and \$3,000,000 by appropriation. These amounts represent one-fourth of the budget estimates for F.Y. 1976, in order to continue providing crop insurance services to farmers during the transition period.

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. The Corporation's objective is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

Summary of Experience 1948-1973:

During the twenty-six-year period, premiums of \$744.7 million exceeded indemnities of \$673.7 million by \$71.0 million.

Cumulative experience shows premium income on wheat the highest of all the commodities insured during the period. Of the \$744.7 million total premium, \$286.2 million or 38.4 percent were earned from the wheat program. Likewise, indemnities on wheat amounted to \$239.4 million or 35.5 percent of the \$673.7 million total indemnities for the period 1948 through 1973. The loss ratio for wheat for the period was .84 as compared with .90 for all commodities (includes Puerto Rico reinsurance).

The number of counties in which crop insurance is offered has increased from 324 in 1948 to 1,432 in 1973, and crops insured increased from 169,129 to 318,677 during the period.

The following tables summarize the experience for the period 1948 through 1973 by crops and years:

SUMMARY OF EXPERIENCE - BY CROPS CROP YEARS 1948 - 1973 (Dollars in thousands)

<u>Crop</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
Apple	\$ 3,245	\$ 4,764	\$ -1,519	1.47
Barley	14,084	8,994	5,090	.64
Bean	6,061	6,531	-470	1.08
Cherry	150	391	-241	2.61
Citrus	26,350	43,005	-16,655	1.63
Combined Crop	33,661	37,958	-4,297	1.13
Corn	115,930	98,471	17,459	.85
Cotton	69,793	100,065	-30,272	1.43
Flax	15,132	12,014	3,118	.79
Grain Sorghum	11,177	7,642	3,535	.68
Grape	893	1,539	-646	1.72
Oat	6,922	3,798	3,124	.55
Pea	4,332	6,219	-1,887	1.44
Peach	4,962	7,020	-2,058	1.42
Peanut	10,897	6,992	3,905	.64
Potato	1,269	2,669	-1,400	2.10
Raisin	3,919	1,526	2,393	.39
Rice	651	321	330	.50
Safflower	4	10	-6	3.93
Soybean	46,288	35,607	10,681	.77
Sugar Beet	4,145	3,473	672	.84
Sugarcane	1,172	905	267	.77
Tobacco	76,709	44,060	32,649	.57
Tomato	362	271	91	.74
Tung Nut	89	67	22	.75
Wheat	286,203	239,378	46,825	.84
Puerto Rico Rein	342	24	318	.07
Total	<u>744,742</u>	<u>673,714</u>	<u>71,028</u>	<u>.90</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF EXPERIENCE - BY CROP YEAR
1948 - 1973

(Dollars in Thousands)

<u>Crop Year</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
1948	\$ 12,684	\$ 6,780	\$ 5,904	.53
1949	11,862	15,531	-3,669	1.31
1950	14,104	12,799	1,305	.91
1951	19,111	21,338	-2,227	1.12
1952	21,200	20,609	591	.97
1953	27,098	31,057	-3,959	1.15
1954	22,655	28,030	-5,375	1.24
1955	22,330	25,505	-3,175	1.14
1956	22,139	27,890	-5,751	1.26
1957	17,407	12,004	5,403	.69
1958	17,617	4,505	13,112	.26
1959	18,461	14,138	4,323	.77
1960	17,797	10,316	7,481	.58
1961	18,149	16,092	2,057	.89
1962	21,854	24,022	-2,168	1.10
1963	30,374	23,524	6,850	.77
1964	33,852	30,362	3,490	.90
1965	36,015	40,753	-4,738	1.13
1966	36,828	25,198	11,630	.68
1967	43,485	55,112	-11,627	1.27
1968	48,966	51,280	-2,314	1.05
1969	48,816	52,780	-3,964	1.08
1970	44,387	41,850	2,537	.94
1971	47,878	28,553	19,325	.60
1972	42,063	25,325	16,738	.60
1973	<u>47,610</u>	<u>28,361</u>	<u>19,249</u>	<u>.60</u>
Total	<u>744,742</u>	<u>673,714</u>	<u>71,028</u>	<u>.90</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF 1973 CROP YEAR EXPERIENCE BY STATE
(Dollars in Thousands)

<u>State</u>	<u>No. of Insured Crops</u>	<u>Coverage</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>
Alabama	2,760	\$ 11,859	\$ 742	\$ 379	\$ 363
Arizona	277	3,970	248	33	215
Arkansas	831	2,800	166	94	72
California	1,878	16,590	1,195	242	953
Colorado	2,867	8,080	926	194	732
Delaware	492	2,923	176	43	133
Florida	1,882	17,077	1,530	721	809
Georgia	2,559	23,328	1,062	1,089	-27
Idaho	2,739	7,706	344	318	26
Illinois	11,707	33,734	1,267	561	706
Indiana	10,477	19,796	792	241	551
Iowa	36,292	102,155	4,192	1,063	3,129
Kansas	22,625	49,213	3,653	413	3,240
Kentucky	14,396	16,555	511	403	108
Louisiana	740	7,812	258	494	-236
Maryland	492	1,928	105	11	94
Michigan	3,154	4,158	241	299	-58
Minnesota	41,169	74,986	4,349	923	3,426
Mississippi	819	10,667	377	234	143
Missouri	5,208	5,411	416	278	138
Montana	7,080	40,884	2,186	2,439	-253
Nebraska	13,489	35,965	2,323	333	1,990
New Mexico	535	2,100	157	64	93
New York	240	3,708	188	306	-118
North Carolina	28,930	193,493	4,386	746	3,640
North Dakota	26,434	91,772	4,929	2,824	2,105
Ohio	11,462	12,158	514	748	-234
Oklahoma	3,707	10,713	786	41	745
Oregon	2,539	17,276	616	2,698	-2,082
Pennsylvania	1,876	2,257	130	70	60
South Carolina	4,114	32,299	1,100	3,142	-2,042
South Dakota	13,553	16,295	1,511	1,069	442
Tennessee	11,834	7,166	337	260	77
Texas	8,098	36,367	2,702	1,007	1,695
Utah	369	572	32	68	-36
Virginia	7,838	41,096	1,093	141	952
Washington	2,528	30,499	1,365	3,958	-2,593
Wisconsin	10,038	9,257	588	362	226
Wyoming	649	2,079	117	52	65
Total	318,677	1,006,704	47,610	28,361	19,249

a/ Excess of indemnities over premiums indicated by (-) minus sign.

Operating Experience - Crop Year 1973

The 1973 crop year insurance operations show premiums exceeding indemnities by approximately \$19,249,000 with a loss ratio of .60. The amount of insurance in force for the 1973 crop year was \$1,006,704,000 for 318,677 crops insured.

Premium Income:

The 1973 crop year premium income was \$47,610,000. This is an increase of \$5,547,000 compared with the figure for crop year 1972.

Indemnities:

Indemnities for the 1973 crop year totaled \$28,361,000 resulting in a loss ratio of .60. Wheat and tobacco, with indemnities of \$11,129,169 and \$4,348,369, and loss ratios of .83 and .67 respectively, accounted for 55 percent of the total indemnities.

Loss experience:

The Corporation had a favorable loss experience for the 1973 crop year.

The most favorable 1973 loss experience occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess Premiums Over Indemnities</u>	<u>Loss Ratio</u>
North Carolina	Tobacco	\$ 3,237,153	.14
Kansas	Wheat	2,272,413	.04
Iowa	Corn	2,008,371	.26
North Dakota	Wheat	1,905,999	.49
Minnesota	Corn	1,498,912	.13
Texas	Cotton	1,164,369	.28
Iowa	Soybeans	1,119,750	.21
Minnesota	Soybeans	1,022,543	.21

Sugarcane, with a loss ratio of 2.78, had the least favorable loss experience nationwide.

Program Plans:

The objectives of the Corporation during 1975 and 1976 are:

1. To continue providing crop insurance protection to as many farmers as possible within the available resources, while maintaining the economic soundness of the program; and
2. To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

Program Statistics:

The following tables show: (1) the number of counties insured, crop years 1948 through 1973 and 1974 through 1976 (estimated); (2) data by commodity, crop years 1948 through 1973 (actual).

NUMBER OF COUNTIES

<u>Crop Year</u>	<u>Number of Counties</u>
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,363
1968	1,395
1969	1,425
1970	1,423
1971	1,423
1972	1,422
1973	1,432
1974	1,444
1975 (estimated)	1,469
1976 (estimated)	1,469

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Apple						
1963.....	3	188	\$ 2,378	\$ 163	\$ 57	.35
1964.....	3	126	1,034	71	65	.92
1965.....	4	278	1,556	157	59	.37
1966.....	6	248	1,185	123	234	1.91
1967.....	8	549	4,508	365	332	.91
1968.....	8	503	3,393	281	937	3.33
1969.....	8	580	4,091	374	89	.24
1970.....	8	487	3,750	328	543	1.65
1971.....	8	508	4,005	369	392	1.06
1972.....	8	488	4,089	377	1,223	3.25
1973.....	8	547	5,841	637	833	1.31
Total....	--	---	---	3,245	4,764	1.47
Barley						
1956.....	9	1,695	1,294	102	39	.39
1957.....	14	2,430	2,518	190	66	.35
1958.....	29	4,216	3,861	311	121	.39
1959.....	84	9,334	6,264	527	567	1.08
1960.....	99	13,841	5,823	513	356	.69
1961.....	109	14,296	6,263	612	934	1.53
1962.....	138	19,253	8,409	877	707	.81
1963.....	164	22,069	12,141	1,150	1,207	1.05
1964.....	179	22,166	10,754	1,017	542	.53
1965.....	175	21,143	9,150	836	204	.24
1966.....	177	19,337	10,678	949	397	.42
1967.....	187	17,815	10,925	914	570	.62
1968.....	190	17,247	12,293	1,023	442	.43
1969.....	194	16,097	12,959	966	299	.31
1970.....	194	13,449	12,676	922	608	.66
1971.....	191	12,977	14,559	1,017	308	.30
1972.....	191	12,024	12,703	925	563	.61
1973.....	191	11,927	16,435	1,233	1,064	.86
Total....	---	---	---	14,084	8,994	.64
Dry Bean						
1948.....	4	1,444	754	32	9	.29
1949.....	9	2,909	1,737	95	61	.64
1950.....	18	5,138	2,293	102	187	1.84
1951.....	29	9,457	3,913	191	599	3.14
1952.....	30	9,014	3,173	198	109	.55
1953.....	30	8,390	4,087	231	142	.62
1954.....	24	6,352	3,128	182	290	1.60
1955.....	17	4,229	2,035	135	89	.66
1956.....	16	3,776	1,868	124	118	.96
1957.....	16	3,539	1,697	107	111	1.03
1958.....	18	3,750	2,251	130	42	.32
1959.....	20	3,749	2,589	113	103	.91

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Dry Bean (Cont'd)						
1960.....	22	5,280	\$ 2,418	\$ 136	\$ 80	.59
1961.....	23	4,705	2,390	163	89	.54
1962.....	25	4,928	2,732	185	374	2.03
1963.....	26	5,216	3,962	251	154	.61
1964.....	30	4,572	4,100	253	400	1.58
1965.....	31	4,653	6,228	365	838	2.29
1966.....	31	5,015	7,143	450	463	1.03
1967.....	35	4,043	5,009	304	193	.64
1968.....	35	3,566	6,085	377	510	1.35
1969.....	36	3,340	6,329	397	325	.82
1970.....	36	3,242	5,647	374	440	1.18
1971.....	36	3,287	5,955	383	256	.67
1972.....	36	3,044	6,425	415	214	.52
1973.....	36	2,802	5,781	368	335	.91
Total....	---	---	---	6,061	6,531	1.08
Cherry						
1963.....	1	92	325	34	162	4.84
1964.....	1	131	425	45	9	.21
1965.....	1	122	314	33	55	1.66
1966.....	1	106	307	38	165	4.33
Total....	---	---	---	150	391	2.61
Citrus						
1951.....	1	290	1,137	82	0	---
1952.....	1	202	804	56	2	.04
1953.....	1	218	901	63	0	---
1954.....	2	394	1,514	105	0	---
1955.....	2	324	1,346	94	3	.03
1956.....	2	345	1,529	107	23	.22
1957.....	2	286	1,458	95	689	7.25
1958.....	4	602	3,416	265	39	.15
1959.....	5	639	4,011	313	76	.24
1960.....	6	565	3,724	288	607	2.11
1961.....	10	593	4,118	294	695	2.36
1962.....	14	1,248	9,380	688	6,361	9.25
1963.....	12	1,618	15,057	1,144	37	.03
1964.....	12	1,699	15,696	1,187	529	.45
1965.....	14	1,886	19,112	1,406	1,568	1.11
1966.....	19	2,206	22,186	1,648	477	.29
1967.....	22	2,442	21,956	1,618	4,443	2.75
1968.....	23	3,367	32,434	2,585	5,708	2.21
1969.....	27	4,091	38,142	3,299	5,776	1.75
1970.....	27	3,770	32,998	3,215	9,986	3.11
1971.....	27	3,053	24,999	2,569	1,622	.63
1972.....	27	2,976	25,166	2,623	3,229	1.23

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Citrus						
(Cont'd)						
1973.....	27	2,817	\$ 25,088	\$ 2,606	\$ 1,135	.44
Total....	---	---	---	26,350	43,005	1.63
Combined Crop						
1948.....	2	714	587	24	1	.06
1949.....	7	2,722	4,100	137	22	.16
1950.....	55	27,725	36,305	1,252	1,174	.94
1951.....	95	36,220	52,670	1,958	3,237	1.65
1952.....	115	42,709	68,849	3,020	7,047	2.33
1953.....	113	50,217	83,487	3,862	3,502	.91
1954.....	96	41,042	68,573	3,210	4,824	1.50
1955.....	83	32,652	51,323	2,826	4,024	1.42
1956.....	101	35,260	51,718	3,234	4,151	1.28
1957.....	124	41,192	49,835	3,344	2,787	.83
1958.....	100	55,010	31,646	2,054	748	.36
1959.....	61	26,424	22,319	1,288	2,189	1.70
1960.....	49	10,050	16,607	867	234	.27
1961.....	38	8,478	14,478	849	1,048	1.23
1962.....	26	6,406	10,639	572	435	.76
1963.....	26	5,558	11,187	604	271	.45
1964.....	18	4,785	10,574	556	249	.45
1965.....	15	4,173	9,928	510	35	.07
1966.....	11	3,689	9,793	469	192	.41
1967.....	9	3,052	10,559	474	1,008	2.12
1968.....	8	2,867	10,894	473	49	.10
1969.....	7	2,524	10,259	393	24	.06
1970.....	7	2,481	10,107	381	79	.21
1971.....	7	2,469	13,126	484	66	.14
1972.....	7	2,244	10,173	376	109	.29
1973.....	7	2,133	13,257	444	453	1.02
Total....	---	---	---	33,661	37,958	1.13
Corn						
1948.....	36	14,115	11,166	435	75	.17
1949.....	44	19,607	16,683	587	95	.16
1950.....	73	32,292	20,126	724	911	1.26
1951.....	98	37,568	27,929	1,080	2,567	2.38
1952.....	99	36,598	31,284	1,350	339	.25
1953.....	108	40,429	37,302	1,663	278	.17
1954.....	99	32,673	29,433	1,378	766	.56
1955.....	102	30,820	27,164	1,366	2,011	1.47
1956.....	113	41,710	41,037	2,708	9,082	3.35
1957.....	115	39,195	28,319	2,229	1,026	.46
1958.....	207	40,012	32,069	2,068	1,165	.56
1959.....	259	52,267	53,406	3,415	2,967	.87
1960.....	265	52,079	56,212	3,575	5,195	1.45

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Corn						
(Cont'd)						
1961.....	272	50,872	\$ 44,838	\$ 2,756	\$ 644	.23
1962.....	337	59,869	55,934	3,629	5,502	1.52
1963.....	380	67,838	75,833	5,131	2,083	.41
1964.....	446	80,804	102,130	6,300	10,500	1.67
1965.....	458	84,297	108,716	6,978	14,235	2.04
1966.....	508	85,666	115,492	7,263	3,289	.45
1967.....	528	83,018	136,516	8,249	7,790	.94
1968.....	551	83,775	142,181	8,310	5,477	.66
1969.....	577	79,481	150,926	8,086	4,633	.57
1970.....	575	71,649	150,384	7,833	9,196	1.17
1971.....	582	77,078	232,883	11,582	4,262	.37
1972.....	582	68,468	174,242	8,288	2,104	.25
1973.....	599	62,117	185,906	8,947	2,279	.25
Total....	---	---	---	115,930	98,471	.85
Cotton						
1948.....	53	19,479	22,123	1,411	605	.43
1949.....	52	26,667	26,717	1,580	3,112	1.97
1950.....	80	63,969	33,302	1,831	5,148	2.81
1951.....	101	57,715	44,647	2,674	2,202	.82
1952.....	98	38,086	38,007	2,079	922	.44
1953.....	109	38,434	47,190	2,353	2,460	1.05
1954.....	101	24,196	28,395	1,494	839	.56
1955.....	101	19,319	23,718	1,249	1,055	.84
1956.....	116	29,975	29,872	1,692	1,137	.67
1957.....	119	25,451	18,035	1,105	593	.54
1958.....	118	20,410	12,592	753	187	.25
1959.....	133	19,910	17,686	1,288	574	.45
1960.....	142	15,628	16,513	1,191	615	.52
1961.....	141	15,375	17,890	1,282	1,769	1.38
1962.....	161	21,312	36,183	2,229	2,760	1.24
1963.....	199	26,526	56,352	3,506	2,450	.70
1964.....	221	24,865	57,376	3,606	1,656	.46
1965.....	229	21,152	45,413	2,848	2,396	.84
1966.....	263	23,458	42,582	2,490	5,707	2.29
1967.....	276	25,774	69,182	3,501	13,482	3.85
1968.....	284	32,646	132,075	6,754	12,938	1.92
1969.....	299	31,786	139,424	7,622	19,887	2.61
1970.....	299	24,821	73,550	4,793	6,360	1.33
1971.....	299	19,592	56,506	3,783	6,307	1.67
1972.....	299	14,957	56,946	3,606	3,494	.97
1973.....	298	11,189	50,473	3,073	1,410	.46
Total....	---	---	---	69,793	100,065	1.43

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Flax						
1948.....	48	16,782	\$13,469	\$ 1,547	\$ 795	.51
1949.....	48	19,267	7,784	882	543	.62
1950.....	63	20,847	4,999	490	205	.42
1951.....	61	19,788	4,698	459	226	.49
1952.....	59	18,257	6,195	512	407	.79
1953.....	53	23,433	8,928	824	786	.95
1954.....	53	23,451	8,575	939	719	.77
1955.....	50	20,012	6,011	703	544	.77
1956.....	52	17,256	5,566	646	347	.54
1957.....	52	15,021	4,408	515	1,265	2.46
1958.....	55	16,543	3,557	410	185	.45
1959.....	71	19,066	3,914	451	740	1.64
1960.....	73	18,919	3,925	452	211	.47
1961.....	74	17,647	3,411	440	560	1.27
1962.....	82	19,286	4,300	553	358	.65
1963.....	85	19,995	5,889	684	542	.79
1964.....	89	20,089	4,959	614	867	1.41
1965.....	88	20,341	4,852	600	239	.40
1966.....	88	19,078	4,461	545	525	.96
1967.....	88	16,737	3,560	421	334	.79
1968.....	82	15,559	4,393	511	183	.36
1969.....	82	13,862	4,568	523	141	.27
1970.....	82	9,673	4,673	539	499	.93
1971.....	82	8,730	2,816	316	217	.69
1972.....	82	7,521	1,812	207	145	.70
1973.....	82	6,732	3,019	349	431	1.24
Total....	---	---	---	15,132	12,014	.79
Grain Sorghum						
1959.....	3	110	54	5	1	.27
1960.....	3	90	33	3	1	.28
1961.....	3	77	15	1	1	.70
1962.....	27	751	1,839	89	35	.39
1963.....	67	5,686	8,408	565	423	.75
1964.....	94	9,025	10,259	695	713	1.03
1965.....	100	9,228	9,598	679	339	.50
1966.....	128	10,891	11,801	801	333	.42
1967.....	141	11,734	17,879	1,160	885	.76
1968.....	180	12,993	21,182	1,213	1,229	1.01
1969.....	185	12,435	19,542	1,078	440	.41
1970.....	185	12,317	20,978	1,196	1,150	.96
1971.....	185	12,187	24,362	1,442	842	.58
1972.....	185	11,160	19,039	1,134	996	.88
1973.....	186	10,012	18,128	1,116	254	.23
Total....	---	---	---	11,177	7,642	.68

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Grape						
1967.....	8	224	\$ 1,730	\$ 89	\$ 90	1.02
1968.....	8	263	2,172	113	141	1.25
1969.....	8	232	1,955	103	267	2.59
1970.....	8	246	2,089	113	87	.77
1971.....	8	207	1,996	104	---	---
1972.....	8	254	2,868	148	609	4.12
1973.....	8	285	4,387	223	345	1.55
Total....	---	---	---	893	1,539	1.72
Oat						
1959.....	27	4,401	1,235	81	80	.99
1960.....	25	5,074	1,268	83	54	.65
1961.....	24	4,908	1,214	96	121	1.26
1962.....	86	11,899	3,292	249	118	.47
1963.....	168	22,084	6,542	481	290	.60
1964.....	217	30,395	7,896	582	402	.69
1965.....	221	32,966	8,067	595	133	.22
1966.....	238	32,916	8,221	596	355	.60
1967.....	246	32,392	9,110	623	298	.48
1968.....	252	33,908	11,680	801	316	.39
1969.....	259	31,396	10,972	724	310	.43
1970.....	259	26,715	9,990	660	310	.47
1971.....	259	24,389	9,277	585	146	.25
1972.....	259	20,417	6,289	381	468	1.23
1973.....	261	17,909	6,271	385	397	1.03
Total....	---	---	---	6,922	3,798	.55
Pea						
1962.....	1	149	1,973	103	317	3.08
1963.....	12	1,042	4,763	261	138	.53
1964.....	20	2,260	5,931	353	932	2.64
1965.....	20	3,432	6,001	411	357	.87
1966.....	20	3,827	6,101	442	1,190	2.69
1967.....	29	4,455	7,039	512	388	.76
1968.....	32	4,258	7,111	519	1,440	2.77
1969.....	54	4,544	6,595	502	362	.72
1970.....	54	4,197	5,425	428	420	.98
1971.....	53	3,732	4,078	311	184	.59
1972.....	53	3,112	3,385	257	133	.52
1973.....	53	2,809	3,216	233	358	1.54
Total....	---	---	---	4,332	6,219	1.44
Peach						
1957.....	1	92	242	37	19	.50
1958.....	1	97	317	49	37	.77
1959.....	1	87	318	48	55	1.13
1960.....	1	113	343	52	40	.76

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Peach						
(Cont'd)						
1961.....	1	46	\$ 117	\$ 24	\$ 15	.63
1962.....	4	359	2,633	326	590	1.81
1963.....	19	790	4,054	508	525	1.03
1964.....	20	688	3,546	448	1,567	3.50
1965.....	21	762	5,139	651	346	.54
1966.....	23	632	3,391	430	410	.95
1967.....	23	492	2,705	340	778	2.29
1968.....	23	460	2,733	400	94	.24
1969.....	23	411	2,607	366	148	.41
1970.....	23	357	2,451	345	411	1.19
1971.....	23	305	2,182	313	553	1.77
1972.....	23	285	2,150	314	684	2.18
1973.....	23	249	2,046	311	748	2.41
Total....	---	---	---	4,962	7,020	1.42
Peanut						
1962.....	4	1,649	3,822	193	67	.35
1963.....	33	4,302	9,977	613	469	.77
1964.....	43	4,499	10,820	659	861	1.31
1965.....	46	4,197	11,598	673	176	.26
1966.....	51	4,184	11,244	643	163	.25
1967.....	53	4,049	12,922	719	393	.55
1968.....	54	3,975	14,505	807	432	.53
1969.....	56	3,933	18,539	1,008	637	.63
1970.....	56	3,930	21,126	1,125	243	.22
1971.....	56	3,797	22,009	1,149	2,485	2.16
1972.....	56	3,766	22,437	1,197	632	.53
1973.....	65	4,499	38,429	2,111	434	.21
Total....	---	---	---	10,897	6,992	.64
Potato						
1962.....	1	334	1,738	91	198	2.17
1963.....	9	590	6,311	309	683	2.21
1964.....	9	484	3,735	190	756	3.98
1965.....	14	759	3,205	200	216	1.08
1966.....	14	711	3,409	214	486	2.27
1967.....	17	593	1,799	138	146	1.05
1968.....	17	309	995	72	99	1.38
1969.....	17	256	751	55	85	1.54
Total....	---	---	---	1,269	2,669	2.10
Raisin						
1961.....	7	1,467	10,279	284	2	.01
1962.....	7	1,938	10,395	259	---	---
1963.....	7	1,993	12,926	360	1,311	3.64
1964.....	7	1,605	10,073	291	5	.02

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Raisin						
(Cont'd)						
1965.....	7	1,847	\$ 13,766	\$ 373	\$ 27	.07
1966.....	7	1,958	14,936	401	27	.07
1967.....	7	2,029	12,149	334	21	.06
1968.....	7	1,935	15,398	414	14	.03
1969.....	7	1,785	13,889	386	115	.30
1970.....	7	1,752	10,354	291	---	---
1971.....	7	1,690	10,444	309	---	---
1972.....	7	1,417	3,670	109	1	.01
1973.....	7	821	3,725	108	3	.02
Total....	---	---	---	3,919	1,526	.39
Rice						
1960.....	5	189	313	15	8	.58
1961.....	4	65	243	11	11	1.03
1962.....	6	94	366	19	12	.64
1963.....	9	98	429	21	---	---
1964.....	17	217	1,879	66	44	.68
1965.....	19	201	1,834	62	26	.43
1966.....	20	178	1,615	54	18	.34
1967.....	24	205	2,153	63	19	.31
1968.....	24	180	2,176	62	48	.77
1969.....	24	164	1,540	43	19	.44
1970.....	24	142	1,343	39	3	.07
1971.....	24	197	2,308	63	33	.51
1972.....	24	224	2,482	66	37	.57
1973.....	24	210	2,499	67	43	.63
Total	---	---	---	651	321	.50
Safflower						
1964.....	2	35	14	2	5	3.02
1965.....	2	36	4	1	4	7.42
1966.....	2	33	2	1	1	2.94
Total....	---	---	---	4	10	3.93
Soybean						
1955.....	6	1,091	455	29	21	.73
1956.....	7	1,560	687	45	34	.74
1957.....	7	1,385	743	50	33	.65
1958.....	136	14,640	7,565	500	181	.36
1959.....	204	26,764	8,799	602	265	.44
1960.....	214	28,947	10,140	670	376	.56
1961.....	227	30,683	12,373	803	432	.54
1962.....	323	38,599	19,070	1,197	803	.67
1963.....	371	48,537	31,627	2,274	2,232	.98
1964.....	436	60,029	45,477	3,228	3,295	1.02
1965.....	450	63,268	52,252	3,515	3,342	.95

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Soybean (Cont'd)						
1966.....	509	66,992	\$ 60,377	\$ 3,988	\$ 2,316	.58
1967.....	544	68,332	65,929	4,177	5,319	1.27
1968.....	565	69,209	71,598	4,420	3,456	.78
1969.....	602	66,033	72,343	4,239	3,765	.89
1970.....	602	57,495	65,436	3,925	2,306	.59
1971.....	602	54,358	67,789	3,921	2,822	.72
1972.....	602	48,739	69,231	3,898	3,108	.80
1973.....	608	47,386	88,662	4,807	1,501	.31
Total....	---	---	---	46,288	35,607	.77
Sugar Beet						
1965.....	4	449	2,558	89	26	.29
1966.....	16	1,673	7,215	274	159	.58
1967.....	54	2,371	12,707	562	340	.60
1968.....	67	2,059	14,177	617	393	.64
1969.....	78	1,704	12,294	540	691	1.28
1970.....	78	1,725	11,304	485	641	1.32
1971.....	78	1,886	13,447	533	299	.56
1972.....	78	1,696	12,844	501	505	1.01
1973.....	78	1,638	12,699	544	419	.77
Total....	---	---	---	4,145	3,473	.84
Sugarcane						
1967.....	4	200	2,680	92	6	.07
1968.....	11	416	5,406	171	35	.20
1969.....	12	504	4,710	144	11	.08
1970.....	12	509	6,890	190	42	.22
1971.....	12	488	8,406	222	198	.89
1972.....	12	391	7,971	201	189	.94
1973.....	12	236	5,561	152	424	2.78
Total....	---	---	---	1,172	905	.77
Tobacco						
1948.....	32	31,605	21,356	655	285	.43
1949.....	35	35,023	22,922	740	489	.66
1950.....	52	71,898	47,556	1,451	887	.61
1951.....	69	76,426	50,349	1,586	779	.49
1952.....	82	76,973	52,482	1,543	1,213	.79
1953.....	103	102,691	68,355	2,027	3,854	1.90
1954.....	107	83,082	70,634	2,364	2,107	.89
1955.....	127	86,754	72,664	2,720	1,075	.40
1956.....	143	80,796	59,113	2,175	618	.28
1957.....	149	71,497	46,582	1,629	559	.34
1958.....	151	69,157	47,948	1,650	310	.19
1959.....	160	72,385	54,241	1,699	645	.38

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Tobacco						
(Cont'd)						
1960.....	166	73,224	\$ 58,209	\$ 2,027	\$ 711	.35
1961.....	172	70,651	60,793	2,115	612	.29
1962.....	191	75,774	99,717	3,303	2,617	.79
1963.....	212	80,482	111,058	3,670	2,281	.62
1964.....	217	75,799	102,087	3,355	1,056	.31
1965.....	224	76,416	115,284	3,421	1,814	.53
1966.....	244	80,437	141,008	4,000	2,371	.59
1967.....	252	78,914	151,309	4,182	1,583	.38
1968.....	255	75,537	143,318	3,915	2,096	.54
1969.....	253	73,465	192,951	4,651	4,938	1.06
1970.....	253	74,594	217,762	5,248	3,055	.58
1971.....	253	72,146	210,379	5,071	1,960	.39
1972.....	252	67,237	213,138	5,005	1,797	.36
1973.....	253	64,219	285,056	6,507	4,348	.67
Total....	---	---	---	76,709	44,060	.57
Tomato						
1963.....	3	124	367	24	10	.41
1964.....	10	214	526	34	9	.25
1965.....	10	166	400	26	7	.27
1966.....	6	123	264	17	31	1.81
1967.....	11	238	553	45	29	.64
1968.....	13	243	698	51	49	.97
1969.....	13	222	527	36	65	1.79
1970.....	13	243	660	45	13	.30
1971.....	13	195	511	35	14	.40
1972.....	13	151	476	31	26	.84
1973.....	13	131	291	18	18	.97
Total....	---	---	---	362	271	.74
Tung Nut						
1965.....	1	47	123	24	2	.08
1966.....	1	43	117	23	7	.32
1967.....	1	38	103	20	3	.15
1968.....	1	17	44	8	40	4.92
1969.....	1	17	43	9	3	.38
1970.....	1	15	28	5	12	2.27
Total....	---	---	---	89	67	.75
Wheat						
1948.....	200	84,990	84,542	8,580	5,010	.58
1949.....	199	58,881	83,552	7,841	11,209	1.43
1950.....	283	84,816	95,867	8,254	4,287	.52
1951.....	356	105,746	132,120	11,081	11,728	1.06
1952.....	390	118,847	149,422	12,442	10,570	.85
1953.....	405	142,818	187,264	16,075	20,035	1.25

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Wheat						
(Cont'd)						
1954.....	402	135,697	\$ 144,027	\$ 12,983	\$ 18,485	1.42
1955.....	400	124,757	125,208	13,208	16,683	1.26
1956.....	389	112,576	114,059	11,306	12,341	1.09
1957.....	390	107,516	88,363	8,106	4,856	.60
1958.....	394	99,998	97,490	9,427	1,490	.16
1959.....	460	104,327	95,992	8,631	5,876	.68
1960.....	480	106,449	90,357	7,925	1,828	.23
1961.....	492	100,193	93,287	8,419	9,159	1.09
1962.....	534	100,327	83,932	7,292	2,768	.38
1963.....	573	103,248	117,083	8,621	8,199	.95
1964.....	598	103,080	132,826	10,300	5,900	.57
1965.....	627	98,833	155,295	11,562	14,309	1.24
1966.....	640	93,995	151,995	10,969	5,882	.54
1967.....	678	89,447	210,028	14,583	16,662	1.14
1968.....	708	90,458	216,007	14,973	15,149	1.01
1969.....	736	87,241	191,002	13,201	9,746	.74
1970.....	734	83,007	181,195	11,848	5,436	.46
1971.....	731	77,876	212,597	13,255	5,586	.42
1972.....	731	71,753	195,948	11,950	5,055	.42
1973.....	731	67,409	229,934	13,371	11,129	.83
Total....	---	---	---	286,203	239,378	.84
Puerto Rico						
Reinsurance						
1968.....	---	---	2,106	96	5	.05
1969.....	---	---	1,562	71	4	.05
1970.....	---	---	1,270	59	10	.16
1971.....	---	---	1,371	62	1	.01
1972.....	---	---	1,150	54	4	.08
Total....	---	---	---	342	24	.07

CROP INSURANCE EXPERIENCE BY YEARS 1948-1973

ALL PROGRAMS
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Grand Total						
1948.....	375	169,129	\$ 153,997	\$ 12,684	\$ 6,780	.53
1949.....	394	165,076	163,495	11,862	15,531	1.31
1950.....	624	306,685	240,448	14,104	12,799	.91
1951.....	810	343,210	317,463	19,111	21,338	1.12
1952.....	874	340,686	350,216	21,200	20,609	.97
1953.....	922	406,630	437,514	27,098	31,057	1.15
1954.....	884	346,887	354,279	22,655	28,030	1.24
1955.....	888	319,958	309,924	22,330	25,505	1.14
1956.....	948	324,949	306,743	22,139	27,890	1.26
1957.....	989	307,604	242,200	17,407	12,004	.69
1958.....	1,213	324,435	242,712	17,617	4,505	.26
1959.....	1,488	339,463	270,828	18,461	14,138	.77
1960.....	1,550	330,448	265,885	17,797	10,316	.58
1961.....	1,597	320,056	271,709	18,149	16,092	.89
1962.....	1,967	364,175	356,354	21,854	24,022	1.10
1963.....	2,379	418,076	496,669	30,374	23,524	.77
1964.....	2,689	447,567	542,117	33,852	30,362	.90
1965.....	2,781	450,652	590,393	36,015	40,753	1.13
1966.....	3,023	457,396	635,523	36,828	25,198	.68
1967.....	3,245	449,143	773,010	43,485	55,112	1.27
1968.....	3,398	455,750	875,054	48,966	51,280	1.05
1969.....	3,558	436,103	918,520	48,816	52,780	1.08
1970.....	3,537	396,816	852,086	44,387	41,850	.94
1971.....	3,536	381,147	946,005	47,878	28,553	.60
1972.....	3,535	342,324	854,634	42,063	25,325	.60
1973.....	3,570	318,677	1,006,704	47,610	28,361	.60
Total....	---	---	---	744,742	673,714	.90

SUMMARY OF FCIC EXPERIENCE 1939-73

<u>Year</u>	<u>Liability</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Loss Ratio</u>
	(Thousands of Dollars)			(As % of Protection)		
1939	\$ 34,475	\$ 3,411	\$ 5,603	9.9	16.3	1.64
1940	67,029	9,155	13,869	13.7	20.7	1.51
1941	101,700	11,279	18,924	11.1	18.6	1.68
1942	197,613	16,694	24,937	8.4	12.6	1.49
1943	244,394	18,236	33,231	7.5	13.6	1.82
1944	(No Insurance Offered)					
1945	148,161	9,360	23,246	6.3	15.7	2.48
1946	350,623	35,329	63,489	10.1	18.1	1.80
1947	420,921	43,777	35,244	10.4	8.4	.81
1947 & Prior	1,564,916	147,241	218,543	9.4	14.0	1.48
1948	153,997	12,684	6,780	8.2	4.4	.53
1949	163,495	11,862	15,531	7.3	9.5	1.31
1950	240,448	14,104	12,799	5.9	5.3	.91
1951	317,463	19,111	21,338	6.0	6.7	1.12
1952	350,216	21,200	20,609	6.1	5.9	.97
1953	437,514	27,098	31,057	6.2	7.1	1.15
1954	354,279	22,655	28,030	6.4	7.9	1.24
1955	309,924	22,330	25,505	7.2	8.2	1.14
1956	306,743	22,139	27,890	7.2	9.1	1.26
1957	242,200	17,407	12,004	7.2	5.0	.69
1958	242,712	17,617	4,505	7.3	1.9	.26
1959	270,828	18,461	14,138	6.8	5.2	.77
1960	265,885	17,797	10,316	6.7	3.9	.58
1961	271,709	18,149	16,092	6.7	5.9	.89
1962	356,354	21,854	24,022	6.1	6.7	1.10
1963	496,669	30,374	23,524	6.1	4.7	.77
1964	542,117	33,852	30,362	6.2	5.6	.90
1965	590,393	36,015	40,753	6.1	6.9	1.13
1966	635,523	36,828	25,198	5.8	4.0	.68
1967	773,010	43,485	55,112	5.6	7.1	1.27
1968	875,054	48,966	51,280	5.6	5.9	1.05
1969	918,520	48,816	52,780	5.3	5.7	1.08
1970	852,086	44,387	41,850	5.2	4.9	.94
1971	946,005	47,878	28,553	5.1	3.0	.60
1972	854,634	42,063	25,325	4.9	3.0	.60
1973	1,006,704	47,610	28,361	4.7	2.8	.60
1948-73	12,774,482	744,742	673,714	5.8	5.3	.90

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly owned Government corporation, created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, their products, foods, feeds, and fibers; and to help in their orderly distribution. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948, (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities, including the storage, handling, and disposition of commodities acquired under the programs; set-aside, deficiency and/or disaster payment programs for feed grains, wheat, and cotton; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended, which are financed by appropriations authorized by statutes providing for the activities. Under section 4 of the Food for Peace Act of 1966, CCC finances short term export credit sales on credit terms not to exceed three (3) years under the Export Credit Sales Program for which appropriations are also authorized.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of six members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. A bipartisan advisory board of five members, also appointed by the President, surveys the general policies of the Corporation and advises the Secretary. Officers of the Corporation are designated according to their positions in the Department of Agriculture.

The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The Foreign Agricultural Service, other agencies and offices of the Department and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its central office in Washington, D.C. and its 2 commodity offices located in Prairie Village, Kan., and Minneapolis, Minn. In addition, ASCS has a Data Systems, Accounting, Claims, Administrative Services, and Personnel Field Office located in Kansas City, Mo.

The ASC State and county committees carry out certain of the Corporation's support and related activities within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,700 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

FINANCING

Borrowing authority.--The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion. Funds are borrowed from Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4).

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on other notes and obligations at a rate prescribed by CCC and approved by the Secretary of the Treasury. No interest is paid on realized losses of the Corporation beyond the year in which such losses are incurred.

Contract authority.--Support and other programs required by statute may result in the Corporation incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the authority.

Appropriations.--

Reimbursement for net realized losses.--Under Public Law 87-155 (15 U.S.C. 713a 11, 12), annual appropriations are authorized for each fiscal year, commencing with the fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses incurred as reflected in its accounts and shown in its report of financial condition.

National Wool Act.--Under sec. 705 of the National Wool Act as amended, a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70% of the gross receipts from duties collected on wool and wool manufactures during the calendar year preceding the fiscal year.

Available Funds, 1974 and 1975 and Estimated, 1976

Item	1974	Available 1975	Budget Estimate, 1976
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses	\$3,301,940,000	\$4,069,412,000	\$2,939,054,000
Reimbursement to CCC, National Wool Act	58,803,500	64,417,500	23,999,000
Total Commodity Credit Corporation	3,360,743,500	4,133,829,500	2,963,053,000

(a) Reimbursement for Net Realized Losses

Appropriation Act, 1975	\$4,069,412,000
Budget Estimate, 1976	<u>2,939,054,000</u>
Decrease in appropriation	-1,130,358,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

	<u>1975</u>	<u>Increase or Decrease</u>	<u>1976 Estimate</u>
Reimbursement of losses:			
Balance of 1972 losses ..	\$155,469,000	-\$155,469,000	--
Partial reimbursement of			
1973 losses	\$3,913,943,000	-\$3,733,943,000	\$180,000,000
1974 losses	--	+\$2,759,054,000	<u>\$2,759,054,000</u>
Total	<u>\$4,069,412,000</u>	<u>-\$1,130,358,000</u>	<u>\$2,939,054,000</u>

PROJECT STATEMENT
(on basis of appropriation)

Project	1974	1975 (estimated)	Increases and Decreases	1976 (estimated)
Reimbursement for balance of 1973 losses and for 1974 losses:				
Appropriation ...	\$3,301,940,000	\$4,069,412,000	-\$1,130,358,000	\$2,939,054,000

The decrease of \$1,130,358,000 in the 1976 budget estimate compared with the 1975 appropriation is explained in the "Justification of Increases and Decreases" which follows the "Explanation of Program" below.

DECREASE

The 1976 estimate of \$2,939,054,000 would reimburse the Corporation for all actual losses through June 30, 1974, and provide an estimated balance of borrowing authority at the end of 1976 of \$11,301,501,000.

EXPLANATION OF PROGRAM

USDA Goals and Objectives

The USDA goal is to assure that commercial farmers and ranchers have the opportunity to earn incomes in the marketplace that are comparable with returns elsewhere in the economy, and thereby assure supplies of agricultural products which are adequate to meet a growing domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through a market-oriented approach that restores basic management responsibilities to farmers, avoids the accumulation of burdensome production surpluses, provides prices reasonable to consumers and competitive in world markets, and minimizes dependence on Federal income transfers.

Specific objectives are to

- Maintain national aggregate net farm income at levels sufficient to insure investments in agriculture necessary to fully utilize production capacity within environmental constraints.
- Direct agricultural policy and programs so that the future number of family farms will remain consistent with efficiency in production and provide adequate levels of net income per farm.
- Support efforts to strengthen farmers' power to bargain in the sale of farm products and the purchase of farm inputs.
- Reduce Federal intervention in agricultural production management, minimize Federal budget outlays for commodity programs, and rely on farmers, traders, food processors and individuals to maintain adequate levels of food stocks and reserves.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

- A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.
 - 1. It has no employees -- its functions are performed by ASCS employees.
 - 2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also must fit into the processes used in formulating and executing the over-all U.S. Budget.
 - 3. Its operations are closely related to and affected by the operations of other programs financed from appropriated funds - such as Agricultural Conservation Program, Cropland Adjustment Program, Sugar Act Program, Section 32 and School Lunch Programs.
 - 4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.
 - a. Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

B. CCC operations are unique in many ways.

1. The primary aim of CCC is to assist in stabilizing, supporting and protecting farm income and prices and help maintain balanced and adequate supplies of agricultural commodities.
2. It operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives:
 - a. Buying
 - b. Selling
 - c. Bartering
 - d. Donating
 - e. Lending
 - f. Storing
 - g. Transporting
 - h. Making payments
 - i. Other activities
3. The major activity is support of prices as required or authorized by existing law.
 - a. Support of farm prices is accomplished through loans, payments, and purchases from farmers or processors.
 - b. Under existing law -- CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, tung nuts and oil, wool, mohair, barley, oats, rye and grain sorghum at levels provided for by law.
 - (1) CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside provisions, if in effect.
 - c. In addition, CCC supports the prices of other commodities at the discretion of the Secretary. Once announcement is made as to support to be offered and the level thereof, CCC is in the same position as it is with respect to the "mandatory" commodities.
4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price determines the volume of that commodity which will be placed under support or acquired by the CCC.
 - a. This in turn is determined by weather conditions, insect damage, use of fertilizers and all other factors influencing production; and by already existing supplies, domestic and export demand and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.
5. CCC also carries out a Storage Facilities Program (loans to producers, use guarantees to warehousemen), commodity export programs and other activities. Support operations and resultant inventory management problems account for the bulk of the total workload, however.

6. There are several other characteristics of CCC operations which are important in analyzing its budget problems and processes.
 - a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen and others.
 - b. CCC operations involve the handling of literally millions of documents and transactions during a 12-month period.
 - c. CCC workload cannot be deferred. Commodities must be moved, warehouse and freight charges must be paid, claims must be settled, loans must be made and liquidated. Inspection of warehouses and commodities is done by the Agricultural Marketing Service but financed by CCC.
 - d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.
 - e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers and others with which business dealings are conducted.
 - f. Trade customs and practices with respect to individual commodities must be observed in operations.
 - g. To support prices, CCC makes nonrecourse loans which bear no interest if the borrower does not repay them and which are fully settled by delivery of the commodity to CCC at maturity of the loans.
 - h. Finally, CCC operations are big:
 - (1) The Corporation has a borrowing power of \$14.5 billion and capital stock of \$100 million. Its capital structure is replenished each year by appropriations to restore realized losses on support operations and to reimburse costs of other programs.
 - (2) Its commodity loans and purchases in the fiscal year 1974 amounted to \$1.6 billion, its sales to \$.7 billion, and it had outstanding loans on commodities of \$.7 billion and owned commodities with a cost value of \$.1 billion on June 30, 1974.

JUSTIFICATION OF INCREASES AND DECREASES

Realized Losses, 1973 and 1974

Item	Fiscal Year 1973	Increase and Decrease	Fiscal Year 1974
Support and related programs:			
Commodity inventory operations:			
Loss or gain* on sales	\$226,892,439	+\$53,714,813(1)	\$173,177,626*
Donations	257,603,193	-46,475,875(2)	211,127,318
Storage and handling expense	71,203,510	-51,925,424(3)	19,278,086
Transportation expense	59,387,512	-45,122,901(4)	14,264,611
Total commodity inventory operations.....	161,301,776	-89,809,387	71,492,389
Commodity export payments	349,321,062	-292,355,554(5)	56,965,508
Reseal storage payments	113,010,188	-95,566,876(6)	17,443,312
Set-aside payments:			
Cotton	813,489,957	-95,156,998(7)	718,332,959
Feed grains	1,846,335,841	-704,436,828(8)	1,141,899,013
Wheat	863,050,786	-372,173,710(9)	490,877,076
Total set-aside payments ...	3,522,876,584	-1,171,767,536	2,351,109,048
Wheat certificate sales	400,449,201*	+400,449,201(10)	-
Net payments	3,122,427,383	-771,318,335	2,351,109,048
Other program expense (net)	89,144,117	-73,909,432(11)	15,234,685
Interest (net)	181,485,195	+1,140,154(12)	182,625,349
Administrative and nonadmin- istrative (net)	77,253,056	-13,069,775(13)	64,183,281
Total realized losses	4,093,942,777	-1,334,889,205	2,759,053,572
Unreimbursed 1973 losses to be requested in subsequent years.	-24,530,777	+204,530,777	180,000,000
Total available or estimate	4,069,412,000	-1,130,358,428	2,939,053,572

NOTE: Asterisks(*) denote gain or receipts.

Explanation of Increases or Decreases in Realized Losses, 1973 and 1974

- (1) An increase of \$53,714,813 due to reduced gain on sales (\$226,892,439 gain in 1973). The increase results from reduced net gain from sales primarily due to a lower volume of sales of wheat, corn, grain sorghum, oats, rye, and flaxseed.
- (2) A decrease of \$46,475,875 in domestic donations (\$257,603,193 in 1973). The decrease is primarily due to lower donations of grain sorghum, butter, cheese, dried milk, and peanut butter, partially offset by increases in oats, wheat flour, rice, and vegetable oil products.
- (3) A decrease of \$51,925,424 in storage and handling expenses (\$71,203,510 in 1973). The decrease results primarily from lower average inventories of corn, grain sorghum, barley, oats, wheat, rice, rye, flaxseed, soybeans, cotton, dairy products, peanuts, and tung oil.
- (4) A decrease of \$45,122,901 in transportation expense (\$59,387,512 in 1973). The decrease is due to less transportation of corn, oats, rye, wheat, flaxseed, peanuts, and dairy products offset by increases in sorghum, tung oil and blended foods.
- (5) A decrease of \$292,355,554 in commodity export payments (\$349,321,062 in 1973). The decrease is due primarily to higher world market prices for wheat, rice and tobacco. Program discontinued at the end of fiscal year 1974.
- (6) A decrease of \$95,566,876 in reseal storage payments (\$113,010,188 in 1973). The decrease is due to the discontinuation of the reseal program because of high market prices and low stocks of feed grains, wheat and soybeans. Program was discontinued in fiscal year 1973.

(7) A decrease of \$95,156,998 in cotton set-aside payments (\$813,489,957 in 1973). The decrease is due to differences in payment yields, decreased participation and decreased small farm payments.

(8) A decrease of \$704,436,828 in feed grain set-aside payments (\$1,846,335,841 in 1973). The decrease is primarily due to the elimination of the additional set-aside acreage provision for the 1973 crop and lower payment rates.

(9) A decrease of \$372,173,710 in wheat set-aside payments (\$863,050,786 in 1973). The decrease is primarily due to the termination of the wheat certificate program effective July 1, 1973.

(10) An increase of \$400,449,201 due to no wheat certificate sales (\$400,449,201 in 1973). The increase reflects the termination of the wheat certificate program effective July 1, 1973 resulting in no receipts from this activity in 1974.

(11) A decrease of \$73,909,432 in other program expense (\$89,144,117 in 1973). The decrease is primarily due to reduced losses in the rice, peanut, dairy and flaxseed programs, and reduced offshore procurement premiums.

(12) An increase of \$1,140,154 in net interest expense (\$181,485,195 in 1973). The increase is primarily due to higher interest rates on Treasury borrowings offset by reduced borrowings and increased interest income.

(13) A decrease of \$13,069,775 in administrative and nonadministrative expenses (\$77,253,056 in 1973). The decrease primarily reflects reduced costs of workload.

The following tables reflect actual and estimated realized losses by commodity and program for fiscal years 1973 through 1976.

Fiscal Year 1973 - Actual (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	226.9*	60.5*	170.4*	.2*	.6*	-	.5	10.5	.8*	5.4*
Donations	257.6	9.0	39.1	b/.	14.8	-	172.9 c/	b/	19.7	2.1
Storage and handling	71.2	31.1	30.4	b/	.8	-	2.7	1.4	b/	4.8
Transportation	59.4	11.9	37.9	b/	1.2	-	6.7	b/	.1	1.6
Commodity export payments	349.3	-	299.7	-	21.8	-	-	-	-	27.8
Set-aside payments	3,522.9	1,846.3	863.1	808.8	-	-	-	-	-	4.7
Wheat certificate sales	400.4*	-	400.4*	-	-	-	-	-	-	-
Reseal loan storage payments..	113.0	83.8	28.3	-	-	-	-	-	-	.9
Other	88.4	.8*	.5*	10.5	-	-	-	-	-	32.6
Total, program costs	3,834.5	1,920.8	727.2	819.1	38.0	b/	182.8	58.5	19.0	69.1
Nonprogram Costs:										
Interest (net):										
Support and related	166.4									
Short term export credit sales	15.8									
Administrative and nonadministrative	77.2									
Total, nonprogram costs ..	259.4									
Total, realized losses	4,093.9									

* Denotes gain or receipts

a/ Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, tung oil, linseed oil, castor oil, soybean products, rosin, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, storage facilities, administrative equipment, and ARS research.

b/ Less than \$50,000.

c/ Includes Section 709 donations (\$1.1 million).

Fiscal Year 1974 - Actual (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
Program Costs:										
Gain* or loss on sales	173.2*	57.4*	110.2*	b/	b/	b/	.1	.5	.7*	5.5*
Donations	212.3	6.1	35.7	b/	14.4	-	84.2 c/	b/	17.1	54.8 d/
Storage and handling	19.3	7.7	9.3	-	b/	b/	.4	.7	b/	1.2
Transportation	13.1	5.7	4.4	-	.3	-	1.9	-	b/	.8
Commodity export payments	57.0	-	43.3	-	b/	-	-	-	-	13.7
Set-aside or support payments.	2,351.1	1,141.9	490.9	713.3	-	-	-	-	-	5.0
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments...	17.4	13.0	4.3	-	-	-	-	-	-	.1
Other	14.2	.6*	1.2*	3.0	-	-	-	3.6	.2*	9.6
Total, program costs	2,511.2	1,116.4	476.5	716.3	14.7	b/	86.6	4.8	16.2	79.7
Nonprogram Costs:										
Interest (net):										
Support and related	168.2									
Short-term export credit sales	14.4									
Administrative and nonadministrative	65.3									
Total, nonprogram costs ..	247.9									
Total, realized losses	2,759.1									

* Denotes gain or receipts.

a/ Other commodities and programs include flaxseed, extra long staple cotton, tung oil, soybean products, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, administrative equipment, and storage facilities, dry edible beans, and research.

b/ Less than \$50,000.

c/ Includes Section 709 donations (\$14.3 million).

d/ Reflects Section 4(a) donations.

Fiscal Year 1975 - Estimated (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
<u>Program Costs:</u>										
Gain* or loss on sales	87.3*	40.2*	42.6*	-	-	-	.2*	-	-	4.3*
Donations	169.8	.6	-	-	-	-	159.5	-	-	9.7 b/
Storage and handling	15.9	9.8	1.7	-	-	-	2.1	2.2	-	.1
Transportation	13.1	4.1	4.0	-	-	-	4.0	.4	-	.6
Commodity export payments	8.8	-	5.2	-	c/	-	-	-	-	3.6
Disaster or support payments ..	595.5	351.0	102.0	139.0	-	-	-	-	-	3.5
Resale loan storage payments ..	.4	.4	-	-	-	-	-	-	-	-
Other	4.9	-	-	3.0	-	-	-	-	-	1.9
Total, program costs	721.1	325.7	70.3	142.0	c/	-	165.4	2.6	-	15.1
<u>Nonprogram costs:</u>										
Interest (net):										
Support and related	51.1									
Short term export credit sales	2.7									
Administrative and nonadministrative	68.6									
Total, nonprogram costs	122.4									
Total, realized losses	843.5									

* Denotes gain or receipts.

a/ Other commodities and programs include extra long staple cotton, tobacco, rye, livestock feed program, supply program, offshore procurement premiums, and administrative equipment.

b/ Section 4(a) donations.

c/ Less than \$50,000.

Fiscal Year 1976 - Estimated (Millions of Dollars)

Item	Total	Feed Grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
<u>Program Costs:</u>										
Gain* or loss on sales	38.0	6.2*	1.8	-	-	-	-	42.4	-	-
Donations	163.4	.6	-	-	-	-	162.8	-	-	-
Storage and handling	12.7	5.1	.1	-	-	-	3.9	3.6	-	-
Transportation	6.5	1.4	.2	-	-	-	3.3	1.5	-	.1
Commodity export payments	.9	-	-	-	-	-	-	-	-	.9
Disaster or support payments...	256.1	104.0	75.0	75.0	-	-	-	-	-	2.1
Wheat certificate sales	-	-	-	-	-	-	-	-	-	-
Reseal loan storage payments...	-	-	-	-	-	-	-	-	-	-
Other	3.8	.1	-	3.0	-	-	-	-	-	.6
Total, program costs	481.4	105.0	77.1	78.0	-	-	170.0	47.6	-	3.7
<u>Nonprogram costs:</u>										
Interest (net):										
Support and related	34.6									
Short-term export credit sales	14.8*									
Administrative and nonadminis- trative	74.4									
Total, nonprogram costs ...	94.2									
Total, realized losses	575.6									

* Denotes gain or receipts.

a/ Other commodities and programs include extra long staple cotton, tobacco, livestock feed program, administrative equipment, and supply program.

STATUS OF PROGRAM

INTRODUCTION

The Commodity Credit Corporation carries out operations on a nation-wide basis, involving many agricultural commodities. These actions have economic impact on domestic and international markets. The Corporation makes loans on agricultural commodities, and barter agricultural commodities for materials, goods, services, and equipment. The purchases, sales, storage, handling, etc. of these commodities and materials involve many different trade practices. The Corporation endeavors to use normal trade facilities to the fullest practicable extent in its operations. Such facilities include commercial banks, growers' organizations, brokers, exporters, cooperative associations, warehousemen, and others.

Although ASCS, through its personnel and facilities, administers support operations, the programs are authorized and financed by the Corporation.

The principal activities carried out by the Corporation involve:

1. Support and related activities.
2. Commodity export activities.
3. Storage activities.
4. Supply and foreign purchase program.
5. Acquisition and disposal activities.
6. Special activities.

SUPPORT AND RELATED ACTIVITIES

Commodities Covered

ASCS administers support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, honey and crude pine gum.

Purpose of Loans

Support loans and purchases give farmers a ready means of promoting more orderly marketing, particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. These inventories are, in turn, released into the market as needed to stabilize supplies and prices.

Technique for Administering Support Operations

Support is achieved through loans, purchases, and payments for selected commodities, at announced or guaranteed levels. Recent legislation is designed to attract the farm production that is needed to meet domestic and foreign demand for food and fiber. At the same time, income to growers is protected through an established target price mechanism for the major commodities: feed grains, wheat, and cotton. Payments are required when the established prices for those commodities exceed the national average market price or the loan rate, whichever is higher. In addition, new legislation provides for making disaster payments to producers who are prevented from planting feed grains, wheat, or upland cotton because of a natural disaster or condition beyond the control of the producers or who, because of such a disaster or condition, is prevented from harvesting at least two-thirds of the normal production of his feed grains, wheat or cotton allotment.

Eligibility for support loans, purchases and payments is conditioned on compliance with program requirements for the particular commodity. Support loans to producers are "nonrecourse". With this type of loan, producers do not suffer any loss for any decline in the market price of the commodity they have put up as collateral. If market prices are above support levels, producers can pay off their loans and market their commodity. If market prices fail to rise above support levels, producers can deliver the commodity to the Corporation, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

Seed cotton loans are made on a recourse basis during cotton ginning operations. For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Small amounts of some grains are also purchased from producers. Milk is supported through purchases of processed dairy products. Support on tobacco, peanuts, and naval stores and a part of the cotton crop is carried out through loans to producer cooperative associations that, in turn, make support available to producers.

Interest rates charged on loans are at rates designed to recover the cost of money to CCC. These rates are reviewed semi-annually in October and March. As of October 1, 1974 the rate was 9.375 percent.

Loan Period Availability

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Loans for cotton, however, mature 10 months after disbursement. Support purchases from producers are made at the time of loan maturity for the crop.

Loan and Purchase Volume - Fiscal Year 1974

Dollar volume of support extended through loans on 1973 crop production totals \$1,164.2 million. However, acquisitions of commodities under loan amounted to \$1.3 million. Purchases of dairy products, products of wheat, corn, oats and vegetable oils for donations and small purchases of grains on which loans are also made totaled \$400.6 million.

Set-aside Program

The Agriculture and Consumer Protection Act of 1973 (PL 93-86) authorizes a set-aside program for feed grains, wheat and upland cotton. Producers must, as a condition of eligibility for loans, purchases and payments on such commodity, comply with announced program requirements. There was no set-aside requirement for the 1974 crops as determined by the Secretary, and none is planned for 1975 crops.

Disaster Payments

The Agriculture and Consumer Protection Act of 1973 (PL 93-86) authorized disaster payments under the wheat, feed grain and upland cotton programs. Producers may qualify for payments when prevented by natural disaster from planting any portion of his wheat, feed grain or cotton allotment or when he is prevented from harvesting at least two-thirds of the normal production of his wheat, feed grain or cotton allotment.

Disaster Reserve

Under Section 813 of the Agricultural Act of 1970, as amended by the Agriculture and Consumer Protection Act of 1973, the Secretary shall establish, maintain, and dispose of a separate reserve of inventories of not to exceed 75 million bushels of wheat, feed grains and soybeans for the purpose of alleviating distress caused by a natural disaster. The Secretary shall acquire such commodities through the price support program; as of January 14, 1975 about 40 million bushels of oats held by the Commodity Credit Corporation were in the disaster reserve. In order to rotate, distribute and locate reserves, such reserve may be sold at equivalent prices. The Secretary may use the Commodity Credit Corporation and shall utilize usual and customary channels, facilities and arrangements of trade and commerce to the maximum extent possible. Appropriations are authorized for sums necessary to carry out the purpose of this section. However, none has been requested since costs are included in the CCC appropriation reimbursement for net realized losses.

Wool and Mohair Program

The support for wool and mohair is accomplished through payments which, in combination with producers' marketing returns, brought their total return up to the support price on the average. No payments were made during fiscal year 1974 on 1973 wool and mohair marketings since prices to producers were above the support rate of 72 cents per pound for wool and 80.2 cents per pound for mohair.

Table I below itemizes direct payments made to producers by fiscal year:

Table I - Payments to Producers

	1970 Actual	1971 Actual	1972 Actual	1973 Actual	1974 Actual	1975 <u>a/</u> Estimate	1976 <u>a/</u> Estimate
	Millions of Dollars						
Feed Grains	1,268.1	1,503.6	1,053.3	1,846.3	1,141.9	351.0	104.0
Wheat	839.1	873.6	884.5	863.1	490.8	102.0	75.0
Cotton, upland and ELS	819.6	917.5	824.0	813.5	718.3	142.5	77.1
Subtotal	2,926.8	3,294.7	2,761.8	3,522.9	2,351.1	595.5	256.1
Wool and mohair <u>b/</u> ...	52.6	71.9	112.8	68.0	.1	11.4	19.1
Total payments	2,979.4	3,366.6	2,874.6	3,590.9	2,351.2	606.9	275.2
Wheat certificates sold to processors.	-389.4	-385.4	-392.6	-400.4	--	--	--
Net payments	2,590.0	2,981.2	2,482.0	3,190.5	2,351.2	606.9	275.2

a/ Largely disaster payments under P.L. 93-86.

b/ Further details for "National Wool Act" are contained in this volume of explanatory notes.

Table II below itemizes a summary of support and related operations:

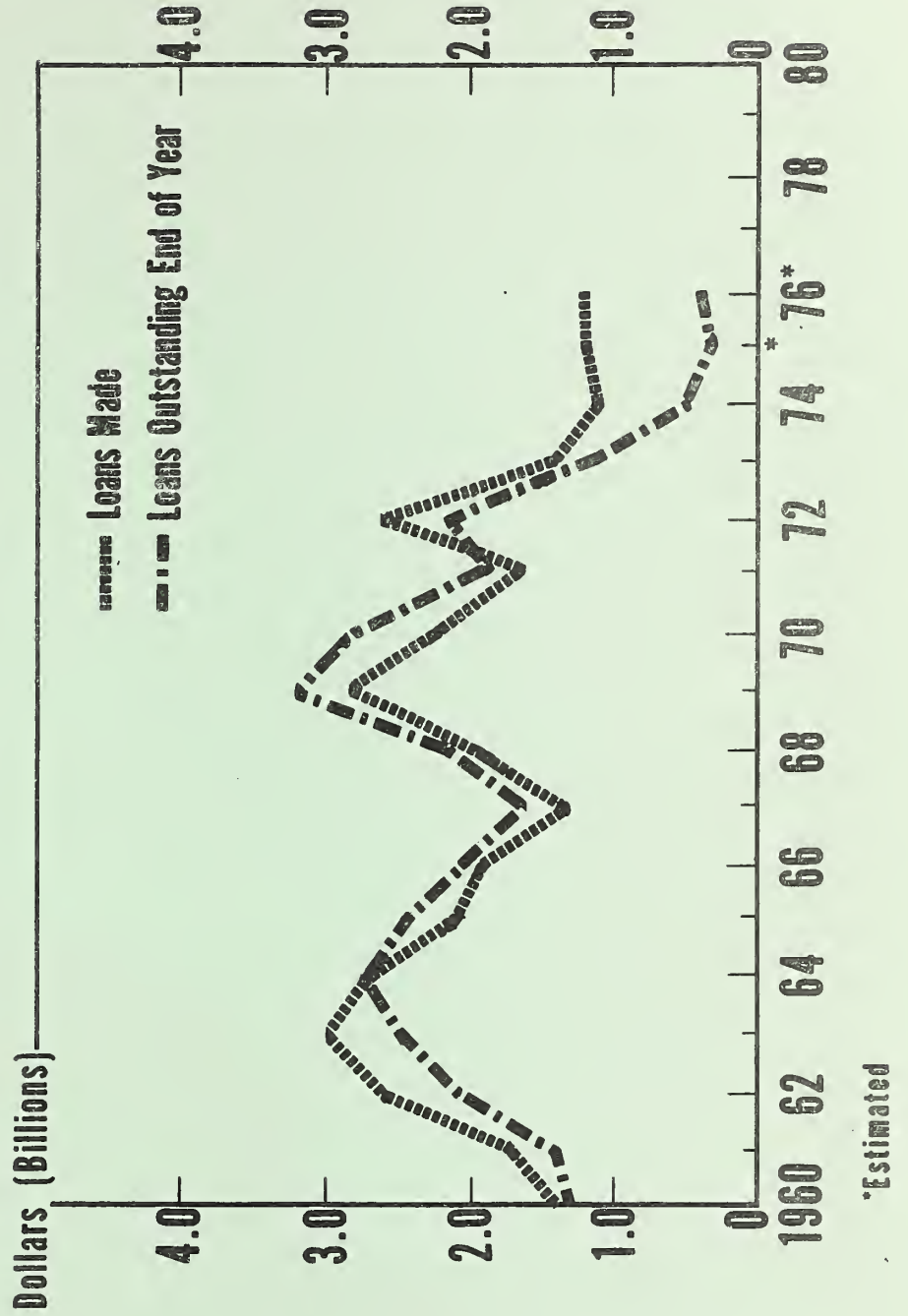
Table II - CCC loan, inventory, and related activities

Item	1974 Actual	1975 Estimate	1976 Estimate
Support and Related:			
Loan Activity: (Including storage facilities)	Millions of Dollars		
Loans outstanding, beginning of year	1,428.2	730.3	662.6
Loans made	1,256.3	965.1	1,319.1
Loans repaid.....	1,947.5	1,032.4	1,084.5
Collateral acquired	1.3	<u>a/</u>	168.6
Write-offs	3.9	<u>a/</u>	.2
Transfers to accounts receivable	1.5	.3	.3
Loans outstanding, end of year	730.3	662.6	728.1
Inventory Activity:			
Inventory, beginning of year	478.7	114.2	197.9
Purchases	400.6	637.3	500.2
Collateral acquired	1.2	<u>a/</u>	168.6
Loan collateral settlements and overdeliveries ...	.5	--	--
Processing, packaging, etc.	6.6	4.9	2.2
Storage and handling (including depreciation)	(19.3)	(16.0)	(12.7)
Transportation	(14.3)	(13.1)	(6.5)
Transfers (net)	-7.2	--	--
Cost of sales	555.1	388.7	354.7
Donations	211.1	169.8	163.4
Inventory, end of year	114.2	197.9	350.8
Payments to producers (gross) (excludes wool)	2,351.1	595.5	256.1
Realized loss	2,759.1	843.5	575.6
Investment in agricultural commodities	573.5	659.6	923.3

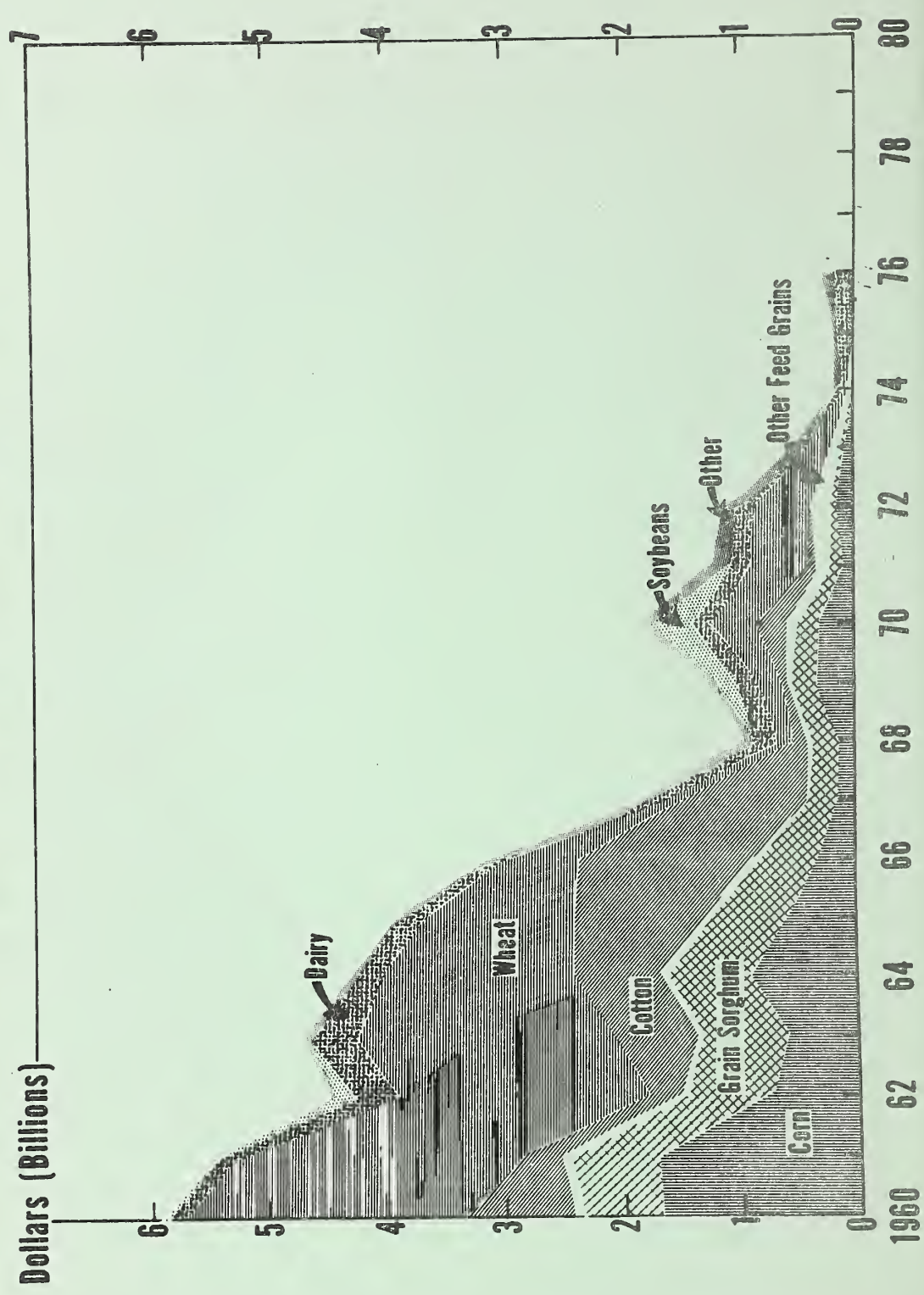
a/ Less than \$100 thousand.

Refer to the charts on pages for a graphic history on selected items on the loans and inventory activities for fiscal years 1960 through 1976.

COMMODITY LOANS MADE DURING THE YEAR AND OUTSTANDING BALANCE AT THE END OF THE YEAR FY 1960-76



COMMODITY INVENTORIES OWNED BY CCC, ALL PROGRAMS END OF FISCAL YEARS 1960-1976



COMMODITY EXPORT ACTIVITIES

In order to maintain the U.S. share in foreign trade and to stimulate exports, the Corporation has made export payments to exporters in some years. Payments during FY 1974 totaled \$57.0 million representing the difference between the higher domestic price and the world price.

Export payments for tobacco were discontinued effective March 22, 1973, and for wheat, wheat flour, and rice, the program was terminated as of April 8, 1974. Contracts entered into prior to those dates were subject to export payments. In the case of tobacco, contracts could also be entered into within a 90-day period after March 22, 1973, provided exportation would be made within 48 months following the month of acceptance by the Corporation. Export payments in the amount of \$8.8 and \$.9 million are expected to be made during fiscal years 1975 and 1976, respectively.

Under authority of the Corporation charter and Sec. 4 of the Food for Peace Act of 1966, a short-term export credit sales program makes available commercial sales of agricultural commodities on a deferred payment basis for periods up to a maximum of three years. Interest is charged at a rate announced each month by the Corporation. All sales are made to U.S. exporters who pass the credit on to foreign buyers. An assurance of payments from U.S. or foreign banks is required.

From the beginning of this program in 1966 through June 30, 1974, sales of agricultural commodities have amounted to approximately \$3,506 million, including \$298 million in the fiscal year ending June 30, 1974. Principal repayments have totaled \$2,551 million through June 30, 1974 - including \$613 million in fiscal year 1974. As of June 30, 1974, balances due under this program amounted to \$977 million. Appropriations are authorized but none have been requested.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are: (1) Help producers finance storage facilities on their own farms, and (2) make maximum use of commercial facilities in the storage of CCC-owned commodities.

Government Storage

At the close of fiscal year 1974, the Corporation owned bins having a storage capacity of about 16 million bushels made up of 4,092 individual structures. In fiscal year 1974, 35,766 structures with a capacity of 182.6 million bushels were sold to farmers and nonprofit organizations.

As of October 17, 1974, the Corporation owned 31 bins having a storage capacity of 1.2 million bushels. These remaining bins are expected to be sold by the close of fiscal year 1975.

Commercial Storage

The Corporation has a uniform grain storage agreement under which it makes storage payments to commercial warehousemen storing grain for CCC in country, subterminal, and terminal elevators. The agreement provides a flat per-day storage rate for about 7,000 grain warehouse facilities operating under the agreement. The facilities have a total capacity of 4.7 billion bushels. The Corporation has contracts with around 540 commercial warehousemen in 15 States for the storage of Government-owned and loan cotton. Storage charges are paid at contract rates or at rates in the warehouseman's established tariff, whichever is less, and for reconcentrated cotton, at the standard rates, tariff rates, or special offer rates, whichever is the least. Delivery or outhandling charges are paid at the standard rate and those for other services at the tariff or at special offer rates, whichever is less.

The Corporation also has storage contracts with commercial warehouses for other commodities. Rates are prescribed in the contracts or are negotiated with individual warehousemen. Storage and handling charges in the fiscal year 1974 were \$19.3 million. Related transportation costs were \$14.3 million.

Beginning July 1, 1975 the Corporation will convert from the present uniform rate system to an offer rate system. Under the offer rate system warehousemen would offer rates at which they would store and handle CCC-owned or extended-loan grain. Each warehouseman would have to warrant that the rate offered would not exceed the rate charged other customers for the same services. The rate would remain in effect unless superseded at a subsequent annual renewal date of the agreement.

Farm Storage

The resale loan program permits farmers to extend their support loans beyond the first year on specified commodities for specified periods and receive storage payments. Such payments to farmers in the fiscal year 1974 amounted to \$17.4 million.

No resale loan program is in effect for the 1973 or prior crops.

Loans made for the construction of farm storage facilities during 1974 totaled \$92.1 million for a capacity of 161.8 million bushels.

Effective September 17, 1973, program changes designed to maintain program activity at a level which will more nearly reflect the current storage situation were instituted. Major changes were an increase in the down-payment requirement, and an increase in the interest rate charged from 6 percent annually to 8-3/4 percent annually. Effective October 1, 1974, the interest rate increased to 9.375 percent annually. This new rate reflects increased borrowing costs to CCC. The rates will be reviewed in October and March of each year to determine if changes are required.

SUPPLY AND FOREIGN PURCHASE

The Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities, pursuant to sections 5(b) and (c) of its charter act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9).

ACQUISITION

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors as noted earlier, and collateral acquisitions arising from loan operations. Acquisition-cost of inventory on June 30, 1974 was \$114 million, compared with \$7,233 million as of June 30, 1960, when surpluses of many commodities were moving toward peak levels. This is a reduction of 98%.

DISPOSAL

Authorities

The following authorities provide the basis for disposition of support inventories:

1. Section 407 of the act of September 1, 1954, as amended (5 U.S.C. 1712-1),
2. Public Law 480, as amended,
3. Barter of agricultural commodities (Title II of the Agricultural Act of 1956, as amended, 7 U.S.C. 1856),
4. Grain for migratory waterfowl feed (PL 84-654) and resident game birds (PL 87-152),
5. Disaster livestock feed program (PL 86-299 and 87-127),
6. Donations--Sec. 202, 210, 407, and 416 of the Agricultural Act of 1949,
7. Payment-in-kind - domestic, PL 87-5, Sec. 124 and 133 of the Agricultural Act of 1961, the Agricultural Act of 1964,
8. The Food and Agriculture Act of 1965, PL 89-321,
9. Exports - CCC Charter Act, and Food for Peace Act of 1966, as amended,
10. Sec. 32 of PL 74-320, as amended,
11. Sec. 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853),
12. Mutual Security Act of 1954, as amended, Sec. 402 (22 U.S.C. 1922),
13. Agricultural Act of 1970, PL 91-524,
14. The Agriculture and Consumer Protection Act of 1973, PL 93-86, and
15. The Agriculture-Environmental and Consumer Protection Appropriation Act, 1975, PL 93-653.

Summary of Dispositions

The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in the fiscal year 1974 was \$766.2 million of which \$728.3 million was received from sales proceeds. CCC dispositions estimated for fiscal year 1975 reflect drawdown of CCC stocks, primarily feed grains and wheat, due to continued high exports.

The following table shows value of commodities disposed of during FY 1974.

Type of Disposition	Fiscal Year 1974	
	Cost Value (Thousands)	Proceeds of dollars)
<u>Sales for Dollars:</u>		
Domestic	302,380	438,471
Export	1,020	2,264
<u>Public Law 480 (export):</u>		
Title II	249,027	283,776
<u>Donations:</u>		
Domestic	211,127	--
<u>Transfers to Other Government Agencies:</u>		
Domestic (includes Section 32)	701	843
Export	359	366
<u>Inventory Adjustments and other Recoveries</u>		
Domestic	1,587	2,531
<u>Subtotal:</u>		
Domestic dispositions	515,795	441,845
Export dispositions	250,406	286,406
<u>TOTAL DISPOSITIONS</u>	<u>766,201</u>	<u>728,251</u>

Explanation of Dispositions:

Domestic Commercial Sales

For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of non-storables.

For restricted uses - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include net or by-product uses, peanuts and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss, waste, etc.

Export Commercial Sales

For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

SPECIAL ACTIVITIES

The Corporation finances activities pursuant to specific provisions of law, other than special activities for which specific annual appropriations are made.

These activities are:

1. Grain for migratory waterfowl (PL 87-152, 7 U.S.C. 442-445). Grain acquired by CCC considered to be unfit for human consumption is furnished to the Department of Interior upon its request to feed migratory waterfowl to prevent damage of crops. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
2. Surplus grain for migratory birds (PL 87-152, 7 U.S.C. 448). The Secretary of Interior may requisition grain from CCC to feed starving migratory birds. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
3. Loans for conservation purposes (Agricultural Adjustment Act of 1938, as amended, 7 U.S.C. 1391 (c)). The Corporation advances funds to the Secretary in amounts not to exceed \$50 million annually to purchase conservation materials and services. Repayments of the loans plus interest are made from balances of prior appropriations or from new funds appropriated.

EXPENSES

Expenses of acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriation, Salaries and Expenses, Agricultural Stabilization and Conservation Service, as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal agencies whose services are used in the handling of Corporation property are treated as program expenses.

In order to improve program management and assist county offices in providing better service to farmers, ASCS in cooperation with the Department is introducing a new ADP application and communications system into its operation. This involves the installation of individual terminals in county offices and remote batch terminals in the field offices and Washington to establish a communications network system. In fiscal year 1975 a prepilot phase will begin operations and will continue through most of fiscal year 1976. The pilot phase will be initiated late in fiscal year 1976 and will continue for approximately 18 months. Following the pilot operations there will be a network expansion or transition phase of about 2 years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on certificates of interest and lending agency obligations for the period the agencies have their funds invested.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized.

FINANCING

Borrowing Authority

The borrowing authority of the Corporation at June 30, 1974, of \$14,500 million was authorized by Public Law 864, 84th Congress, approved August 1, 1956. The Corporation reserves a sufficient amount of the borrowing authority to purchase at any time all loans and other obligations held by financial institutions under the Corporation's programs.

As of June 30, 1974, the Corporation had in use \$8,608.0 million of the \$14,500.0 million authorized. This left a statutory borrowing authority available of \$5,892.0 million.

During fiscal year 1974, the Corporation's borrowings from the Treasury aggregated \$3,334.2 million and during the same year \$5,590.5 million was repaid from appropriations received and receipts from operations.

Reimbursement for Net Realized Losses

During fiscal year 1974, the Corporation received \$3,301.9 million for reimbursement of 1972 losses. As of June 30, 1974, there were unrestored realized losses as follows:

<u>Year</u>	<u>(Millions)</u>
1972	\$ 155.5
1973	4,093.9
1974	<u>2,759.1</u>
Total	<u>7,008.5</u>

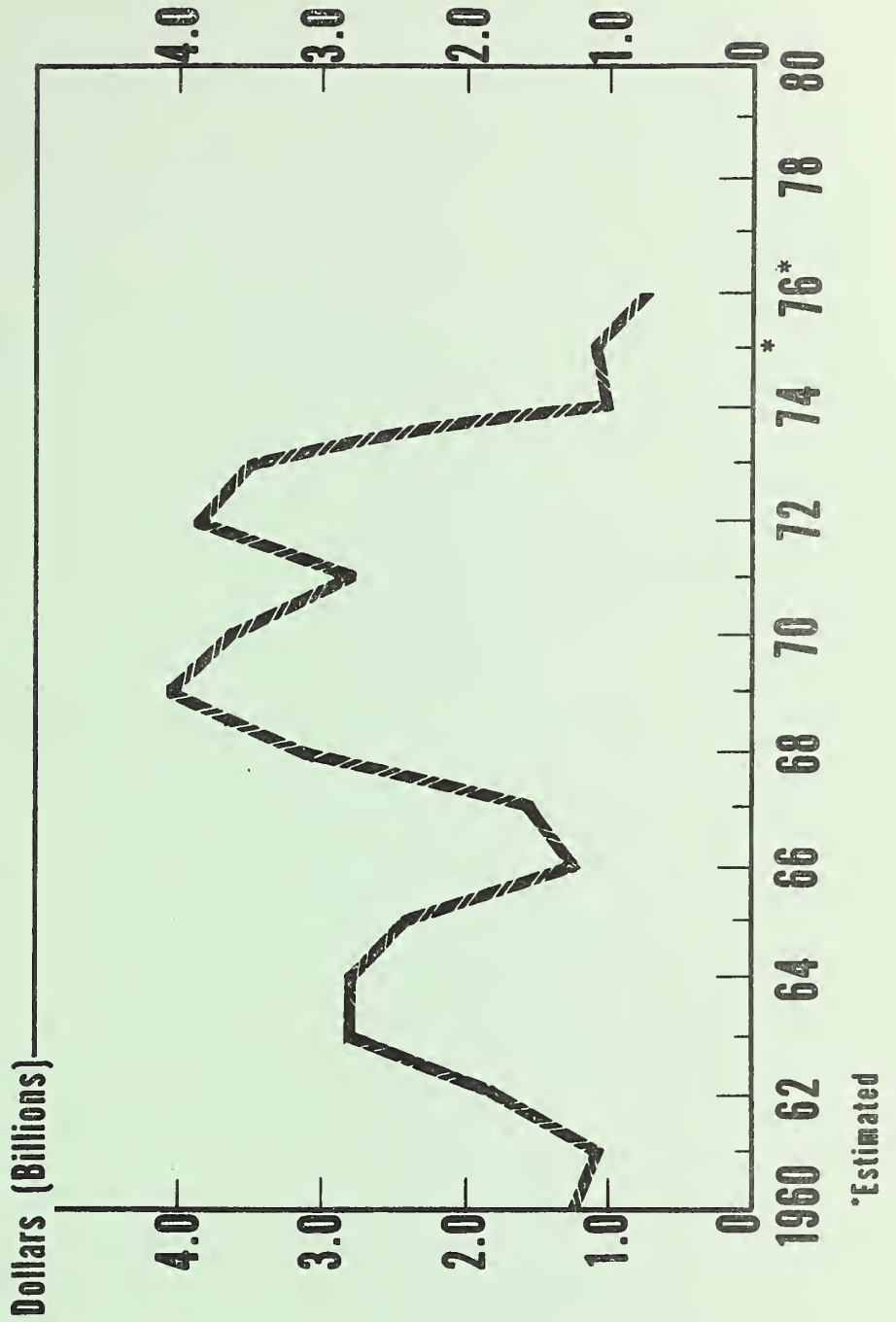
These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The Agriculture-Environmental and Consumer Protection Appropriation Act of 1975 included \$4,069.4 million to reimburse the Corporation for the 1972 losses and partial reimbursement for 1973 losses. The 1976 budget request of \$2,939.1 will reimburse the Corporation for actual losses for 1973 and 1974.

NET EXPENDITURES

The chart on page shows CCC net expenditures for fiscal years 1960 through 1976.

CCC NET EXPENDITURES SUPPORT AND RELATED PROGRAMS FY 1960-76



(b) Limitation on Administrative Expenses

Appropriation Act, 1975	\$38,000,000
Budget Estimate, 1976	<u>\$39,400,000</u>
Increase in Limitation	+1,400,000

SUMMARY OF INCREASES AND DECREASES

(On basis of limitation)

	<u>1975</u>	<u>Program Changes</u>	<u>1976 Estimate</u>
Transfer to:			
"Salaries and Expenses, Agricultural Stabilization and Conservation Service" for support and related activities	\$30,960,000	-\$1,294,000	\$29,666,000
Allocation to Agricultural Marketing Service for warehouse inspection	3,308,000	+35,000	3,343,000
Allocation to Foreign Agricultural Service for export programs	3,632,000	-228,000	3,404,000
Allocation to Office of the Sales Manager. Contingency Reserve	100,000 ---	+100,000 +2,787,000	200,000 2,787,000
Total available or estimate	<u>38,000,000</u>	<u>+1,400,000</u>	<u>39,400,000</u>

The amounts shown below for 1976 reflect the total funds proposed to be used for the administrative expenses of the Commodity Credit Corporation and proposed to be advanced as indicated. An explanation of the funds required for 1976 is shown as a part of the budget request of the respective agencies.

Project Statement

<u>Project</u>	<u>1974 Actual</u>	<u>1975 Estimated</u>	<u>Program Changes</u>	<u>1976 Estimated</u>
Transfer to:				
"Salaries and Expenses, Agri- cultural Stabilization and Conservation Service"	\$29,347,000	\$30,960,000	-\$1,294,000	\$29,666,000
Agricultural Marketing Service	2,822,000	3,308,000	+35,000	3,343,000
Export Marketing Service ...	2,046,000	--	--	--
Foreign Agricultural Service	1,303,000	3,632,000	-228,000	3,404,000
Office of Sales Manager	--	100,000	+100,000	200,000
Unobligated balance	4,382,000	--	--	--
Contingency reserve (unused portion)	--	--	+2,787,000	2,787,000
Total available or estimate ..	<u>39,900,000</u>	<u>38,000,000</u>	<u>+1,400,000</u>	<u>39,400,000</u>

(c) National Wool Act

Appropriation Act, 1975	\$64,417,500
Budget Estimate, 1976	<u>23,999,000</u>
Decrease in appropriation	<u>-40,418,500</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item	1975 Estimate (1973 Calendar Year)	Increase or Decrease	1976 Estimate (1974 Calendar Year)
Total duties collected in the applicable calendar year ..	\$92,025,000	+\$32,975,000	\$125,000,000
70% of duties collected, representing maximum available for reimbursement to CCC (appropriation)	64,417,500	-40,418,500	23,999,000

The 1975 appropriation covers reimbursement for fiscal year 1974 expenditures relating to marketings in the 1973 calendar year. The 1976 appropriation estimate covers fiscal year 1975 estimated expenditures relating to marketings in the 1974 calendar year.

PROJECT STATEMENT

(On basis of appropriation)

Item	1974	1975 (Estimated)	Decrease	1976 (Estimated)
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act (available or estimate)	\$58,803,500	\$64,417,500	(1) -\$40,418,500	\$23,999,000

(1) A decrease of \$40,418,500 in the appropriation to reimburse the Commodity Credit Corporation

Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs fiscal year 1975 are \$15,637,000. Even though program costs have increased over fiscal year 1974, the unreimbursed balances due the Corporation from prior years' programs and from fiscal year 1974 to 1975 have declined.

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) to cover marketings through December 31, 1977. The support price for each of the next three years will remain at 72 cents per pound for shorn wool and 80.2 cents per pound for mohair.

Payments are made on marketings during each calendar year of shorn wool, unshorn lambs (to compensate producers for the wool on them) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of actual price received by the producer is used as payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment that he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment:

<u>Item</u>	Fiscal Year	Fiscal Year	Fiscal Year
	1974 (1973	1975 (1974	1976 (1975
	Marketing	Marketing	Marketing
	Year)	Year)	Year)
	<u>(Actual)</u>	<u>(Estimate)</u>	<u>(Estimate)</u>
Available for payments, 70% of duties collected:			
Cumulative from Jan. 1, 1953	\$1,601,865,787	\$1,689,366,787	\$1,776,866,787
Cumulative payments to producers	<u>977,057,640</u>	<u>988,454,640</u>	<u>1,007,590,640</u>
Balance available, end of year	<u>624,808,147</u>	<u>700,912,147</u>	<u>769,276,147</u>

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 per centum of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

<u>Item</u>	<u>1975 Estimate (Fiscal Year 1974 Expendi- tures)</u>	<u>Increase or Decrease</u>	<u>1976 Estimate (Fiscal Year 1975 Expendi- tures)</u>
Payments to producers:			
Shorn wool	\$100,604	+\$9,295,974 (1)	\$9,396,578
Unshorn lambs	--	+1,999,450 (2)	1,999,450
Mohair	--	--	--
Total payments	100,604	+11,295,424	11,396,028
Operating expenses	2,475,000	+675,000 (3)	3,150,000
Interest expenses	<u>5,159,864</u>	<u>-4,069,864 (4)</u>	<u>1,090,000</u>
Total	<u>7,735,468</u>	<u>+7,900,560</u>	<u>15,636,028</u>

(1) An increase of \$9,295,974 in shorn wool payments (\$100,604 in 1975 estimate). Payments are reflected in the 1976 estimate since the projected market price for wool (65.0 cents/lb.) is 7 cents less than the support price of 72 cents/lb.

(2) An increase of \$1,999,450 in payments on unshorn lambs (zero in 1975 estimate). Payments are reflected in the 1976 estimate since the projected market price for wool is less than the support price; thus increasing the payment rate from zero to 28 cents per hundredweight.

(3) An increase of \$675,000 in operating expenses (\$2,475,000 in 1975 estimate). Due to increased volume in program activity from fiscal 1974 to 1975. Also due to increased rent and pay costs.

(4) A decrease of \$4,069,864 in interest expenses (\$5,159,864 in 1975 estimate). This is a result of a lower unreimbursed balance at the end of fiscal year 1975 and lower interest rates.

TRANSITION BUDGET

COMMODITY CREDIT CORPORATION

Limitation on Administrative Expenses

Transition Budget Estimate..... \$9,850,000

JUSTIFICATION OF TRANSITION BUDGET ESTIMATE

The funds requested represent one-fourth of the Budget Estimate for Fiscal Year 1976.

The funds will be transferred as follows:

Agricultural Stabilization and Conservation Service.....	\$7,417,000
Foreign Agricultural Service.....	851,000
Agricultural Marketing Service.....	836,000
Contingency Reserve.....	696,000
Office of the Sales Manager	50,000
Total.....	\$9,850,000

STATUS OF PROGRAM

Costs

Costs incurred under this program include payments, operating and interest costs.

The following tables show (1) the basis of the estimates for the fiscal years 1974, 1975, and 1976, and (2) historical cost data for the wool program.

EXPENDITURES AND REIMBURSEMENTS TO CCC
UNDER THE NATIONAL WOOL ACT

Item	Fiscal Year 1974 (1973 Marketing Year) (Actual)	Fiscal Year 1975 (1974 Marketing Year) (Estimated)	Fiscal Year 1976 (1975 Marketing Year) (Estimated)
Volume of Marketing:			
Pounds of shorn wool	145,315,000	134,241,000	132,800,000
Hundredweight, unshorn lambs ...	7,600,000	7,150,000	6,700,000
Pounds of mohair	10,000,000	9,200,000	8,500,000
Incentive or Support Level:			
Price per lb. of wool (cents)...	72.0	72.0	72.0
Price per lb. of mohair (cents).	80.2	80.2	80.2
Percent of parity - wool	66.1	57.6	55.0
Percent of parity - mohair	61.2	53.5	50.8
Payments under Act - Rates:			
Shorn wool per pound (cents) ...	--	7.0	12.0
Unshorn lambs, cwt. (dollars) ..	--	28.0	48.0
Mohair, per pound (cents)	--	--	--
Amount of payments:			
Shorn wool	<u>1/</u> 100,604	9,396,578	15,936,000
Unshorn lambs	--	1,999,450	3,200,000
Mohair	--	--	--
Total payments	100,604	11,396,028	19,136,000
Operating expenses	2,475,000	1,090,000	3,528,000
Interest expense	5,159,864	3,150,000	508,000
Current year expenditures	7,735,468	15,636,028	23,172,000
Unrecovered balance, prior years..	123,848,860	72,780,828	23,999,356
Total cumulative unrecovered balance	131,584,328	88,416,856	47,171,356
Reimbursement to CCC (70% of preceeding calendar year duty collections) <u>2/</u>	58,803,500	64,417,500	23,999,000
Unrecovered balance, end of year..	<u>72,780,828</u>	<u>23,999,356</u>	<u>23,172,356</u>

1/ Adjustments for prior years' programs.

2/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

Cost of Wool Programs Financed by
Commodity Credit Corporation

Year	National Wool Act Payment Program (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manu- factures (Calendar Year)	70% of Duties Collected on Wool and Wool Manufactures Available for Payments (Calendar Year)
1953		\$75,768,963	\$53,038,273
1954		56,635,765	39,645,036
1955	\$187,684	69,930,183	48,951,128
1956	2,020,975	74,694,145	52,285,902
1957	61,292,352	67,233,972	47,063,780
1958	57,182,448	71,500,447	50,050,313
1959	20,025,827	95,985,584	67,189,909
1960	92,653,681	107,539,419	75,277,593
1961	60,886,812	98,806,944	69,164,861
1962	65,347,054	128,827,847	90,179,493
1963	63,164,602	132,071,019	92,449,713
1964	73,203,933	113,323,654	79,326,558
1965	22,577,216	173,538,080	121,476,656
1966	38,260,163	158,357,675	110,850,372
1967	34,792,675	138,500,000	96,950,000
1968	72,451,002	168,000,000	117,600,000
1969	67,892,514	152,866,000	107,006,200
1970	56,272,766	133,489,000	93,442,300
1971	75,430,447	95,281,000	66,696,700
1972	116,545,406	84,005,000	58,803,500
1973	74,000,154	92,025,000	64,417,500
1974	7,735,468	125,000,000 ^{1/}	87,500,000 ^{1/}
Subtotal	1,061,923,179	2,413,379,697	1,689,365,787
1975 ^{1/}	15,637,000	125,000,000	87,500,000
1976 ^{1/}	23,172,000	125,000,000	87,500,000
Total	1,100,732,179	2,663,379,697	1,864,365,787

^{1/} Estimated.

Note: Excludes \$116 million losses by CCC on commodity loan and inventory operations prior to National Wool Act.

Promotion Activities

A "self-help" program for advertising, promotion, and related market development activities is authorized, if approved by producers, by Section 708 of the Act. In a referendum in December 1974, wool and lamb producers approved a new four-year agreement between the Secretary and the American Sheep Producers Council, Inc. The agreement authorizes deductions from payments to finance the program. In July 1971, mohair producers approved a similar agreement authorizing deductions from payments to advertise and promote mohair.

The Agriculture and Consumer Protection Act of 1973 provides that advertising and sales promotion programs may be conducted outside of the United States for the purpose of maintaining and expanding foreign markets and uses for mohair or goats or the products thereof produced in the United States.

SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile from 1957 through 1971. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

Effective at the beginning of fiscal year 1974, barter program contract negotiations have been suspended. Estimated commodity shipments for 1975 represent completion of shipments under contracts made prior to the suspension.

The following table shows actual and estimated activity, 1974 to 1976:

Commodities Bartered for Offshore Procurement for Other Government Agencies
(In thousands)

Commodity	Unit of Measure	1974 Actual		1975 Estimate		1976 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Corn	bushel	4,174	\$10,546	-	-	-	-
Grain Sorghum	bushel	2,301	4,432	-	-	-	-
Barley	bushel	2,438	4,932	-	-	-	-
Total feed grains	sh. ton	240	19,910				
Wheat	bushel	-	-	-	-	-	-
Wheat flour	bu. equiv.	84	122	-	-	-	-
Total wheat and products	bu. equiv.	84	122	-	-	-	-
Rice	cwt.	1,022	15,781	-	-	-	-
Cotton, upland	bale	939	158,434	25	\$6,300	-	-
Vegetable oils	pound	69,117	13,306	-	-	-	-
Tobacco, total	pound	51,258	62,024	560	700	-	-
Tallow or grease	pound	149,302	24,181	-	-	-	-
Total 1/	xxx	xxx	293,758	xxx	7,000	-	-

1/ Distribution as follows:

For offshore procurement (paid by other sources)....
Offshore premiums (information only)
Total

293,758
(8,478)
293,758

7,000
(700)
7,000

